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"Of the fifth edition of a book so well known in the commercial world as 'Gilbart's Treatise on Banking,' we need say little beyond announcing its appearance. It has the advantage of a dozen additional years of experience on the part of the author in banking and monetary matters, and, as a consequence, the bulk of the matter is increased. An elaborate index also materially improves the convenience of the book for purposes of reference."

"This book is designed to be useful to the public at large, by circulating that kind of information which, as it becomes more widely diffused, will tend to prevent a recurrence of those evils that have, in too many instances, resulted from the bad administration of some of our banking institutions."—*London Morning Chronicle*, Oct., 1850.

"Mr. Gilbert's works on Banking have attained a just celebrity. Plain and practical, they are suitable to the character and position of the writer, and to the wants and inclinations of the banking and mercantile community, for whom they are chiefly intended. They are not, however, without much interest for every inquiring mind, while for statesmen and political economists they are sources of much useful and even indispensable information. The present work treats of banking as an art, and its merits have already been recognized. The principal characteristic of Mr. Gilbert's book is, practical common sense, a due subordination of all the parts of the subject, so that none has an undue prominence; which, being joined with a perspicuous style, accounts for the favor his works have deservedly met with."—*London Economist*.

"The work is divided into sections, which may be briefly described as comprising a complete description of a sound system of Bank Book-keeping; an account of the duties required from the officers in a bank; general instructions relating to the administration of a bank, with reference to its ordinary business, during a time of pressure, and under the operation of the new banking laws introduced during the last few years."—*London Bankers' Magazine*.

A
PRACTICAL TREATISE
ON
BANKING.

BY
JAMES WILLIAM GILBART, F. R. S.,
GENERAL MANAGER OF THE LONDON AND WESTMINSTER BANK.

"The best banking system may be defeated by imperfect management; and, on the other hand, the evils of an imperfect banking system may be greatly mitigated, if not overcome, by prudence, caution, and resolution."—*Report of the Committee of the House of Lords on the Causes of Commercial Distress, 1848.*

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TO
THE RIGHT HONORABLE
LORD MONTEAGLE, F. R. S.,
COMPTROLLER GENERAL OF HER MAJESTY'S EXCHEQUER, ETC., ETC., ETC.,
WHO, AS
A DIRECTOR OF THE PROVINCIAL BANK OF IRELAND,
AS
CHANCELLOR OF THE EXCHEQUER,
AND AS
FRAMER OF THE REPORT OF THE COMMITTEE OF THE HOUSE OF LORDS,
APPOINTED TO INQUIRE INTO
THE CAUSES OF THE COMMERCIAL DISTRESS OF 1847,
DISPLAYED A PROFOUND KNOWLEDGE OF THE PRINCIPLES
OF
PRACTICAL BANKING,
This Work
IS, WITH PERMISSION, RESPECTFULLY DEDICATED,
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PREFACE BY THE AUTHOR.

"The best security against management of banking affairs must ever be found in the capacity and integrity of those who are intrusted with the administration of them, and in the caution and prudence of the public; but no legislative regulation should be omitted which can increase and insure the stability of establishments upon which commercial credit so much depends."—*Speech from the Throne in 1837.*

In the preface to my "History and Principles of Banking," I made the following remarks:—

"Banking is both an art and a science. As an art, it is a branch of trade intimately connected with every man's business; as a science, it forms an important portion of political economy. The knowledge of banking as an art, is acquired like that of other arts, by serving an apprenticeship, or engaging practically in its operations. The knowledge of banking as a science, may be acquired, like that of other sciences, by reading, observation, and reflection. These two branches of knowledge do not always accompany each other. Some, who are practically engaged in banking, do not study its principles; while those who have written upon its principles, have for the most part been political economists and statesmen, who were unacquainted with its practical details. This publication will perhaps be thought worthy of some degree of attention upon the ground that it professes to be a scientific work, written by a practical man."

The present work professes to treat of banking as an art. "Art is the application of knowledge to a practical end."* The practical end of banking, as of all other trades and professions, is to get money. This book treats of the means by which that end is obtained, points out the rules to be followed, and the errors to be avoided, shows how these rules are applied by various banking institutions, and in different districts of the United Kingdom, exhibits the qualifications neces-

* Sir John Herschel.

sary to the party by whom these rules are administered, and describes those moral virtues which are as indispensable as professional knowledge to the attainment of success.

It may be supposed, that in discussing the "effects of the Act of 1844," and "the Laws of the Currency," I have wandered beyond the limits of practical banking. But these matters are viewed only in their practical results. The principles of banking are deductions from facts. The science of banking is a collection of these principles. It is of importance to have a correct notion of the nature of this science. In the physical sciences, as in chemistry and electricity, we often discover a principle, and then apply it to a practical end. But in banking, and in political economy, generally, we first collect our facts, and then ascend from facts to principles. Hence books, in which are described the practical operations of banking, and the actual results of legislative enactments, furnish the materials which enable us to arrive at sound principles.

There are several classes of persons to whom I think this book may be more particularly useful.

The first class includes those public men who have occasion to write or to speak upon our banking institutions. Statesmen, authors, and reviewers, however correct may be their knowledge of banking as a science, often fall into mistakes when they attempt to describe its practical operations. Although it must be admitted that the principles of banking may be well understood without any acquaintance with details, yet it is equally true that if a public man have acquired a competent degree of practical information, his opinions will carry greater weight, and he will be less liable to fall into erroneous conclusions. They, especially, who are desirous of altering the constitution of our banking establishments should be anxious not to weaken the force of their recommendations by making misstatements as to matters of fact. The public have a right to expect that they who attempt to improve a system should be well acquainted with the system they attempt to improve.

The second class are those who are practically engaged in banking operations. Those directors of our joint-stock banks, who may have been appointed chiefly on account of their high character and local influence, may derive from this work some practical information, which will assist them in the discharge of their official duties. Young men, too, who occupy subordinate stations in our banking establishments, may here acquire those enlarged views that will qualify them for higher appointments. One object of this work is, to aid the formation of good practical bankers. Even to experienced bankers, books on banking are useful, not only from the information they impart, but from the impressions they produce, and the recollections they awaken. In banking, as in morals, we often go astray, more from want of firmness than from want of knowledge. We have all need to be reminded of the importance of a steady adherence to sound principles. And the more

frequently the right path is pointed out to us, the less likely are we to wander into those which are forbidden.

The shareholders in joint-stock banks are a class to whom the subject must be of the deepest interest. Upon the wise administration of their respective banks will depend the amount of their dividends and the safety of their capital. This book professes to show in what way this wise administration may be secured. Shareholders may here learn how to judge of the conduct of their directors, and (what is of no less importance) how to regulate their own.

To all persons who "keep bankers," it must be useful to know by what rules bankers manage their business. They will thus be able to conduct their account so as to give satisfaction to their banker. And they will be able to judge how far he may be disposed to grant them such assistance as they may occasionally require. A large number of persons, especially in London, have not yet discovered the advantage of keeping a banker. They imagine that banks are merely places in which the opulent deposit their superfluous riches. The perusal of this work will be sufficient to show that the advantages of banking are not confined to the wealthy.

I do not know that I can promise much amusement, except to those who find amusement in the pursuit of knowledge. Banking is considered a *dry* subject. So are all subjects until they are understood. I think I may say, that neither in the matter, nor in the style, will my readers find anything here which they cannot understand. They who wish only for such a general acquaintance with banking, as in the present day every man of education is expected to possess, may read the first hundred and thirty pages, omitting the third, fifth, twelfth, thirteenth, and fourteenth sections. They may then consult their own taste as to whether they will read any other portions of the work. Should they do no more than this, they will obtain as much knowledge of practical banking as they will probably require for the purposes of general society, even in the company of bankers.

This book is designed to be useful to the public at large, by circulating that kind of information, which, as it becomes more widely diffused, will tend to prevent a recurrence of those evils that have in too many instances resulted from the bad administration of some of our banking institutions. To give useful information to the public has been the aim of this and of all my other works. When this book first appeared, there existed no other publication that described in detail the interior operations of a bank. I am happy to say, that since that period several valuable works of a similar kind have been published. And we are now presented monthly, in the "Bankers' Magazine," with excellent articles on practical banking, written chiefly by practical bankers.

The first edition of this work was published in May, 1827; the second in January, 1828; the third in December, 1834; and the fourth in October, 1836. In the beginning of the year 1847, I determined to publish a new edition; but before I had

prepared it for publication the pressure came, and Parliamentary Committees were appointed to inquire into the causes of the distress. My position required that I should make myself acquainted with the evidence given before those committees. I wrote out my reflections on some portions of this evidence, and have embodied them in the present work. Hence one cause of the increased size of the book, and of the delay which has attended its publication. This edition has the advantage of an elaborate Index, the uses of which are pointed out in the last section of the second part.

I have been so long known as a writer on banking, and my writings have met with so much acceptance, that it is not necessary I should enumerate any claims I may be supposed to have on public attention. But there is one claim that gathers strength by time, that is, experience. And in publishing a new edition of a practical work, it may not be inappropriate to state, that it is now upwards of thirty-six years since I first engaged in the business of banking, and I have been above twenty-two years a manager. I am thankful to acknowledge, that during those twenty-two years I have not had one unsuccessful year.

J. W. G.

LONDON, July 5th, 1849.

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A PRACTICAL TREATISE

ON

BANKING.

PART I.—OF PRACTICAL BANKING.

SECTION I.—THE NATURE OF BANKING.

“WHAT is it that we call a Banker? There is in this city a company or corporation called goldsmiths, and most of those called bankers are of that corporation; but so far as I know, there is not a company or corporation in England called bankers, nor has the business any definition or description, either by common law or by statute. By custom, we call a man a banker who has an open shop, with proper counters, servants, and books, for receiving other people’s money, in order to keep it safe, and return it upon demand; and when any man has opened such a shop we call him a banker, without inquiring whether any man has given him money to keep or no; for this is a trade where no apprenticeship is required, it having never yet been supposed that a man who sets up the trade of banking could be sued upon the statute of Queen Elizabeth, which enacts, that none shall use any art or mystery then used, but such as have served an apprenticeship in the same.” (Speech, delivered in the House of Commons, in 1746. See the *London Magazine* for that year, p. 120.)

The term bank is derived from *banco*, the Italian word for bench, as the Lombard Jews in Italy kept *benches* in the market-place, where they exchanged money and bills. When a banker failed, his bench was broken by the populace; and from this circumstance we have our term *bankrupt*.

A banker is a dealer in capital, or, more properly, a dealer in money. He is an intermediate party between the borrower and the lender. He borrows of one party and lends to another; and the difference between the terms at which he borrows and those at which he lends, forms the

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source of his profit. By this means he draws into active operation those small sums of money which were previously unproductive in the hands of private individuals; and at the same time furnishes accommodation to those who have need of additional capital to carry on their commercial transactions.

Banks have been divided into private and public. A private bank is that in which there are but few partners, and these attend personally to its management. A public bank is that in which there are numerous partners, and they elect from their own body a certain number, who are intrusted with its management. The latter are usually called joint-stock banks.

The business of banking consists chiefly in receiving deposits of money, upon which interest may or may not be allowed; in making advances of money, principally in the way of discounting bills; and in effecting the transmission of money from one place to another. Private banks in metropolitan cities are usually the agents of the banks in the provinces, and charge a commission on their transactions. In making payments, many country banks issue their own notes.

The disposable means of a bank consist of, First, the capital paid down by the partners, or shareholders. Secondly, the amount of money lodged by their customers. Thirdly, the amount of notes they are able to keep out in circulation. Fourthly, the amount of money in the course of transmission, that is, money they have received, and are to repay, in some distant place, at a future time.

These disposable means are employed, First, in discounting bills. Secondly, in advances of money in the form of cash credits, loans, or overdrawn accounts. Thirdly, in the purchase of government or other securities. Fourthly, a part is kept in the banker's till, to meet the current demands. Of these four ways of employing the capital of a bank, three are productive, and one is unproductive. The discounting of bills yields interest; the loans, and the cash credits, and the overdrawn accounts, yield interest; the government securities yield interest; the money in the till yields no interest.

The expenses of a bank may be classified thus: rent, taxes, and repairs of the house in which the business is carried on; salaries of the officers; stationer's bill for books, paper, notes, stamps, &c.; incidental expenses, as postages, coals, &c.

The profits of a bank are that portion of its total receipts, — including discount, interest, dividends, and commission, — which exceeds the amount of the expenses.

SECTION II. — THE UTILITY OF BANKING.

In the first place, banks are useful as places of security for the deposit of money. The circumstance which gave rise to the business of banking in this country was a desire on the part of the merchants of London to

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obtain a place where they might lodge their money in security. Every one who has had the care of large sums of money knows the anxiety which attends their custody. A person in this case must either take care of his money himself or trust it to his servants. If he take care of it himself, he will often be put to inconvenience, and will have to deny himself holidays and comforts, of which a man who is possessed of much money would not like to be deprived.

If he intrust it to others, he must depend upon their honesty and their ability. And although, in many important cases, a master is compelled to do this, yet he does not feel the same satisfaction as if the money was actually under his own care. Some instances of neglect or of dishonesty will necessarily occur, and these will occasion suspicion in reference to other parties against whom no suspicion ought to be entertained. Besides, in both these cases the money is lodged under the owner's own roof, and is subject to thieves, to fire, and to other contingencies, against which it is not always easy to guard.

All these evils are obviated by means of banking. The owner of money need neither take the charge of it himself nor trust to his dependants. He can place it in the hands of his bankers. They are wealthy men, and are responsible to him for the amount. If they are robbed, it is no loss to him; they are pledged to restore to him the amount of his deposit when he shall require it. Whenever he wants money he has only to write an order or draft upon his banker, and the person to whom he is indebted takes the draft to the bank, and, without any hesitation or delay, receives the money.

2. The bankers allow interest for money placed in their hands.

By means of banking, the various small sums of money which would have remained unproductive in the hands of individuals, are collected into large amounts in the hands of the bankers, who employ it in granting facilities to trade and commerce. Thus banking increases the productive capital of the nation. At the origin of banking, "the new-fashioned bankers," as they were called, allowed a certain rate of interest for money placed in their hands. The banks of Scotland carry this practice to the greatest extent, as they receive upon interest so low an amount as ten pounds; and also allow interest on the balance of a running account. Many of the country bankers in England allow interest on the balance of a running account, and charge commission on the amount of the money withdrawn. The London bankers generally do not allow interest on deposits, but neither do they charge commission. All their profits are derived from the use of their customers' money. The banks of Scotland do not charge commission, although they allow interest on deposits; but then those banks have a profit by the issue of their notes. The London bankers do not issue notes.

3. Another advantage conferred upon society by bankers is, that they make advances to persons who want to borrow money. These advances are made, by discounting bills, upon personal security, or upon the joint security of the borrower and two or three of his friends, and sometimes upon mortgage. Persons engaged in trade and commerce are thus enabled to augment their capital, and consequently their wealth. The in-

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crease of money in circulation stimulates production. When bankers are compelled to withhold their usual accommodation, both the commercial and the agricultural interests are plunged into extreme distress. The great advantage arising to a neighbourhood from the establishment of a bank, is derived mainly from the additional supplies of money advanced in the form of loans or discounts to the inhabitants of the place. This principle is so well understood in Scotland, that branch banks are sometimes established in poor districts, with a view of obtaining a future profit from the prosperity which the bank will introduce. (Evidence before the Select Committee of the House of Commons upon the Abolition of Small Notes, p. 43.)

4. Another benefit derived from bankers is, that they transmit money from one part of the country to another.

There is scarcely a person in business who has not occasion sometimes to send money to a distant town. But how is this to be done? He cannot send a messenger with it on purpose; that would be too expensive. He cannot send it by post; that would be too hazardous. Besides, the sum may be some fraction of a pound, and then it cannot go by post. The post, too, takes a considerable time, as three letters at least must pass on the transaction. If he live in London he may obtain a bank post bill, but he cannot obtain that in the country; and he may not be able to obtain it in London for the exact sum he wants. How, then, is the money to be sent?

Every country banker opens an account with a London banker. If, then, a person live at Penzance, and wants to send a sum of money to Aberdeen, he will pay the money into the Penzance bank, and his friend will receive it of the Aberdeen bank. The whole transaction is this. The Penzance bank will direct their agent in London to pay the money to the London agent of the Aberdeen bank, who will be duly advised of the payment. A small commission charged by the Penzance bank, and the postages, constitute all the expenses incurred, and there is not the least risk of loss.

Commercial travellers, who are collecting money, derive great advantage from the banks. Instead of carrying with them, throughout the whole of their journey, all the money they have received, when perhaps it may be wanted at home, they pay it into a bank, by whom it is remitted with the greatest security and at little expense; and they are thus delivered from an encumbrance which would have occasioned great care and anxiety.

5. Wherever a bank is established, the public are able to obtain that denomination of currency which is best adapted for carrying on the commercial operations of the place. In a town which has no bank, a person may have occasion to use small notes, and have none but large ones; and at other times he may have need of large notes, and not be able to obtain them. But where a bank is established there can be no difficulty of this kind. The bank issues that description of notes which the receivers may require, and are always ready to exchange them for others of a different denomination. Banks, too, usually supply their customers and the neighbourhood with silver; and if, on the other hand, silver should be too

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abundant, the banks will receive it, either as a deposit or in exchange for their notes. Hence, where banks are established, it is easy to obtain change. This is very convenient to those who have to pay large sums in wages, or who purchase in small amounts the commodities in which they trade.

6. By means of banking there is a great saving of time in making money transactions.

How much longer does it take to count out a sum of money in pounds, shillings, and pence, than it does to write a draft. And how much less trouble is it to receive a draft in payment of a debt, and then to pay it into the banker's, than it is to receive a sum of money in currency. What inconveniences would arise from the necessity of weighing sovereigns. What a loss of time from disputes as to the goodness or badness of particular pieces of money.

Besides the loss of time that must necessarily occur on every transaction, we must also reckon the loss which every merchant or tradesman in an extensive line of business would certainly sustain in the course of a year, from receiving counterfeit or deficient coin, or forged notes. From all this risk he is exempt by keeping a banker. If he receive payment of a debt, it is in the form of a draft upon his customer's banker. He pays it into his own banker's, and no coin or bank notes pass through his hands. If he draw bills, those bills are presented by his banker; and if his banker take bad money it is his own loss.

7. A merchant or tradesman who keeps a banker, saves the trouble and expense of presenting those bills or drafts which he may draw upon his customers, or which he may receive in exchange for his goods. He pays these into the hands of his banker, and has no further trouble. He has now no care about the custody of his bills; no anxiety about their being stolen; no danger of forgetting them until they are overdue, and thus exonerating the indorsers; no trouble of sending to a distance in order to demand payment. He has nothing more to do than to see the amount entered to his credit in his banker's books. If a bill be not paid, it is brought back to him on the day after it falls due, properly noted. The banker's clerk and the notary's clerk are witnesses ready to come forward to prove that the bill has been duly presented, and the notary's ticket attached to the bill assigns the reason why it is not paid. But if any indorser of the bill has given a reference in case of need, that is, if any indorser has written on the back of the bill that some other party will pay it in case the acceptor does not, then the notary takes the bill to the referee, and procures the money from him.

This circumstance alone must cause an immense saving of expense to a mercantile house in the course of a year. Let us suppose that a merchant has only two bills due each day. These bills may be payable in distant parts of the town, so that it may take a clerk half a day to present them. And in large mercantile establishments it would take up the whole time of one or two clerks to present the due bills and the drafts. The salaries of these clerks are therefore saved by keeping an account at a banker's. Besides the saving of expense, it is also reasonable to suppose that losses upon bills would sometimes occur from mistakes or over-

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sights, from miscalculation as to the time a bill would become¹ due, from errors in marking it up, from forgetfulness to present it, or from presenting it at the wrong house. In these cases, the indorsers and the drawers are exonerated; and if the acceptor do not pay the bill, the amount is lost. In a banking-house such mistakes are not so likely to occur, though they do occur sometimes; but the loss falls upon the banker, and not upon his customer.

8. Another advantage from keeping a banker in London is, that by this means you have a continual referee as to your respectability. If a mercantile house in the country write to their agent, to ascertain the respectability of a firm in London, the first inquiry is, Who is their banker? And when this is ascertained, the banker is applied to through the proper channel, and he gives his testimony as to the respectability of his customer. When a trader gives his bill, it circulates through the hands of many individuals to whom he is personally unknown; but if the bill is made payable at a banking-house, it bears on its face a reference to a party to whom the acceptor is known, and who must have some knowledge of his character as a tradesman. This may be an immense advantage to a man in business, as a means of increasing his credit; and credit, Dr. Franklin says, is money.

9. The keeping an account at a banking-house, enables a trader not only to give a constant reference as to his own respectability, but it also enables him to ascertain the respectability of other persons who keep bankers. There are numerous cases in which a trader may wish to know this. A stranger may bring him a bill, and want goods in exchange; or he may have drawn a bill upon a customer, and wishes to ascertain if this bill would be paid before he gave him any further credit. If this bill is not made payable at a banking-house, he can obtain no information. But suppose the bill is made payable at a banking-house; even then he can obtain no information, unless he himself has a banker. If he take the bill to the banker's, at whose house it is made payable, and say, "Gentlemen, I will thank you to inform me if the acceptor of this bill be a respectable man. May I safely give goods or money in exchange for it?" They will reply, "Sir, we never answer such questions to strangers." But if the holder of this bill keep an account at a banker's, he has only to ask his banker to make the inquiry for him, and he will easily obtain the most ample information. Among nearly all the bankers in London, the practice is established of giving information to each other as to the respectability of their customers. For as the bankers themselves are the greatest discounters of bills, it is their interest to follow this practice; and indeed the interest of their customers also, of those at least who are respectable.

10. By means of banking, people are able to preserve an authentic record of their annual expenditure. If a person pays into his banker all the money he receives in the course of a year, and makes all his payments by checks, then by looking over his bank-book at the end of the year he will readily see the total amount of his receipts, and the various items of his expenditure. This is very useful to persons who have not habits of business, and who may therefore be in danger of living beyond their means. It is useless to advise such persons to keep an account of their expenses,

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they will do no such thing ; but when short of money at Christmas, to pay their tradesmen's bills, they may take the trouble of looking over their bank-book, and noticing how many checks were drawn for the purchase of unnecessary articles. A bank account is useful, also, in case of disputed payments. People do not always take receipts for money they pay to their tradesmen, and when they do, the receipts may become lost or mislaid. In case of death, or of omission to enter the amount in the creditor's books, the money may be demanded again. Should the payment have been made in bank notes or sovereigns, the payer can offer no legal proof of having settled the account ; but if the account was discharged by a check on a banker, the check can be produced, and the payment proved by the officers of the bank, who can be subpoenaed for that purpose.

11. Another advantage resulting from keeping a banker in London is, that the party has a secure place of deposit for any deeds, papers, or other property that may require peculiar care. Any customer who pleases may have a tin box, which he may leave with his banker in the evening, and call for it in the morning. In this box he might place his will, the lease of his house, policies of insurance, or any other documents he wished to preserve against fire. Stock-brokers and others, who have offices in the city and live out of town, have such boxes, which they leave over night with their banker, for the sake of security, in preference to leaving them in their own office. If a party were going to the country, he might send his plate or jewellery to his banker, who will lock it up in his strong room, and thus it will be preserved from fire and thieves until his return. Solicitors and others, who have deeds or other writings of importance left in their custody, can send them to the bank during the night, and thus avoid the danger of fire.

12. By keeping a banker, people have a ready channel of obtaining much information that will be useful to them in the way of their business. They will know the way in which bankers keep their accounts ; they will learn many of the laws and customs relating to bills of exchange. By asking the banker, or any of the clerks, they may know which is the readiest way of remitting any money they have to send to any part of the country or to the continent. If they have to buy or sell any stock in the public funds, the banker can give them the name of a respectable broker who can manage the business ; or should they be about to travel, and wish to know the best way of receiving money abroad, or be appointed executors to a will, and have to settle some money matters, the banker will in these and many other cases be able to give them the necessary information.

13. Banking also exercises a powerful influence upon the morals of society. It tends to produce honesty and punctuality in pecuniary engagements. Bankers, for their own interest, always have a regard to the moral character of the party with whom they deal ; they inquire whether he be honest or tricky, industrious or idle, prudent or speculative, thrifty or prodigal, and they will more readily make advances to a man of moderate property and good morals, than to a man of large property but of inferior reputation. Thus the establishment of a bank in any place immediately advances the pecuniary value of a good moral character. There

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are numerous instances of persons having arisen from obscurity to wealth, only by means of their moral character, and the confidence which that character produced in the mind of their banker. It is not merely by way of loan or discount that a banker serves such a person. He also speaks well of him to those persons who may make inquiries respecting him; and the banker's good opinion will be the means of procuring him a higher degree of credit with the parties with whom he trades. These effects are easily perceivable in country towns; and even in London, if a house be known to have engaged in gambling or smuggling transactions, or in any other way to have acted discredibly, their bills will be taken by the bankers less readily than those of an honorable house of inferior property.

It is thus that bankers perform the functions of public conservators of the commercial virtues. From motives of private interest they encourage the industrious, the prudent, the punctual, and the honest, while they discountenance the spendthrift and the gambler, the liar and the knave. They hold out inducements to uprightness, which are not disregarded by even the most abandoned. There is many a man who would be deterred from dishonesty by the frown of a banker, though he might care but little for the admonitions of a bishop.

SECTION III. — BANKING TERMS.

Query I. — Is the word Bank a singular or a plural noun?

The word BANK, being a noun of multitude, may have verbs and pronouns agreeing with it in either the singular or the plural number, yet not without regard to the import of the term as conveying unity or plurality of idea. In the use of this term the following rules are usually observed: —

1. When any operation or feeling of the mind is ascribed to a bank, the verbs and pronouns are placed in the plural; as, “The bank *were* anxious to meet the wishes of the public.” “The bank *have* concurred in the measure proposed.” “Are you one of the persons who tried the question with the Bank of Ireland, whether *they* conceived themselves bound to pay in gold at *their* branches?” “The Bank of England petitioned against this bill, and *were* heard by *their* counsel; but *their* representations produced no effect, and the bill having passed through both Houses, received the Royal assent.” The following examples, wherein mental operations are ascribed to a neuter pronoun, are violations of this rule: — “The bank *allows* the party having the cash credit, to liquidate any portion of his debt to the bank at any time that may suit his convenience, and reserves to *itself* the power of cancelling, whenever *it* shall think fit, the credit granted.” “It is usual for the bank when *it* gives a cash credit to *keep a watchful eye* over the person having that cash credit.”

2. When a reference is made to a bank merely as an institution, the term is considered to belong to the singular; as, “The Bank of Scotland

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continued the only bank from the date of *its* establishment, in 1695, to the year 1727. In that year a charter of incorporation was granted to certain individuals named therein for carrying on the business of banking, under the name of the Royal Bank; and subsequent charters were granted to this establishment, enlarging *its* capital, which now amounts to one million and a half." "The National Bank of Scotland *has* 1,238 partners." "If this measure be carried into effect, the Provincial Bank must instantly be deprived of any sufficient means of reimbursing *itself* for the heavy expense to which *it has* been subject." "*Has* your bank an establishment at Kirkcudbright?" "The Bank of England *has* the control of *its* issues entirely within *itself*."

3. When we notice the rules or habitual acts of a bank, the word belongs to the singular; as, "The Provincial Bank *allows* interest at the rate of two per cent." "The bank *draws* bills upon London at twenty-one days after date." "The bank *discounts* bills at the rate of four per cent." "The bank *issues* notes payable in gold at the place of issue." "The London and Westminster *grants* interest upon deposits; *it does* not allow *its* officers to receive Christmas presents from *its* customers." In reference to cases that fall under this rule, there is, however, some contrariety of practice:—"Do the Provincial Bank *issue* post bills? *They do not*." "Have the Bank of Ireland, at *their* branch in Cork, been in the habit of receiving gold to any amount in payments?" "*Have* the Bank of Ireland any deposits at the Cork branch? Do you know how *their* notes get into circulation? Do *they* pay any interest on *their* deposits? *They have* a great quantity of notes in circulation, — *have they not?*"

4. When the word bank is connected with a past participle by means of the neuter verb *to be*, it usually belongs to the singular; as, "I am a director of the Bank of Scotland, which *is established* by act of Parliament; *it does* not hold a charter from the Crown, but, in common language, *it is called* a chartered bank." "Suppose a bank *was enabled* to take six per cent. on a cash credit, instead of four." "The Falkirk Union Banking Company *has been returned* to this house as sequestrated in the month of October, 1816." "A new bank *was constituted* as a fund upon which the sum of £2,564,000 should be raised, and *it was called* the Land Bank because established on land securities."

5. When the word bank is preceded by the indefinite article, *a*, *an*, — by the demonstrative pronoun, *this*, *that*, — or by the words *each*, *any*, *every*, *one*, it belongs to the singular; as, "Do you not think that *a* bank that *is* possessed of a capital of one million may and will do more business than *a* bank that *is* only possessed of half a million?" "In a moment of pressure, an emergency like the present, *that* bank would get into great disrepute who called up any one of *its* cash credits." "What is the amount of the small note circulation in *that* bank as connected with *its* whole circulation?" "*Each* bank *has* an interest to issue as much of the small note circulation as *it* can? — Certainly *it has*, provided the small notes can be kept out; but, as *every* bank *makes* an exchange at Glasgow twice every week, and the exchanges of *each* bank come back upon *itself*, and the balance is paid by a draft on Edinburgh at sight,"

&c. "I believe almost *every* bank in Scotland *has* an agent in Glasgow." "Suppose *one* bank in Scotland made *its* notes payable in Scotland, at the place where the notes were issued." "Is there *any* bank in Cork now that *issues* notes?"

6. When the word bank is introduced in either the singular or the plural number, the same number should be preserved throughout the sentence. Hence, the following sentence of Smollett's is inaccurate:—"By the same acts the bank *was* required to advance a sum not exceeding £2,500,000 towards discharging the national debt, if wanted, on condition that *they* should have £5 per cent. for as much as *they* might advance, redeemed by Parliament."

7. When the word bank is used in the singular number, it is considered as a substantive of the neuter gender, and hence is associated with the relative pronoun *which*; but when used in the plural number it implies the idea of persons, and has accordingly the personal relative *who*; as, "The bank with *which* he kept his account *has* stopped payment"; or, "The bank with *whom* he kept his account *have* stopped payment." "The bank *whose* interests are affected by the measure *have* petitioned against it." "The bank upon *whom* the cheque was drawn *have* refused to honor it." The following sentence is not in accordance with this rule:—"In a moment of pressure, an emergency like the present, that bank would get into great disrepute *who* called up any of *its* cash credits."

I have not observed that any *English* writer, except Mr. McCulloch, considered a bank to be a lady; and this is only in the case of an Irish bank. Under the article "Banking," in his Commercial Dictionary, he says,— "The Bank of Ireland draws on London at twenty days' date. *She* neither grants cash credits nor allows any interest on deposits; *she* discounts at the rate of £5 per cent." This mode of expression is, however, very common with American writers.*

II. Should we write *accepter* or *acceptor* of a bill of exchange? The name of the agent to any verb is usually formed, in our language, by the addition of *r* or *er* to the verb; as, *indorser*, *talker*, *walker*, *speaker*. What reason, then, can be assigned why, in the present case, we should depart from the analogy of the language? We do not say, the drawor, the holdor, the payor of a bill; why, then, should we say the acceptor? When we speak of the acceptor of a bill, why should we not spell the word in the same way as when we speak of the acceptor of a present, or of a fee? Yet all our English legal authors write *acceptor*:—"A person who accepts for honor, is only liable if the original drawee do not pay; and, to charge such *acceptor*, there must be a presentment for payment to such original drawee."—*Bayley*. "A foreign bill is binding in this country on the *acceptor*, though he accepted by parol, or by writing unconnected with the instrument."—*Chitty*. "Where the *acceptor* of a forged bill pays it, and is guilty of any negligence or want of due caution in making such payment, he cannot recover the money so paid, from the innocent party to whom he paid it."—*Roscoe*. Scotch authors, however,

* It has now become more common with *English* writers, especially with reference to the Bank of England. 1849.

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write *accepter*. "An English inland bill has generally three parties to it, the drawer, *accepter*, and payee; whereas, in Scotland most of the inland bills have, at first, but two parties, the drawer and the *accepter*; and they are made payable to the drawer or his order." (See Glen, *On the Law of Bills of Exchange in Scotland*.)

III. Should we write *indorse* or *endorse*? *Indorse* is derived direct from the Latin, *in dorsum*, on the back. *Endorse* is derived from the Latin, through the French, *endosser*. In such cases, most writers adopt the Latin mode of spelling, in preference to the French, as *indorse*, *inquire*, *intire*; not *endorse*, *enquire*, *entire*. All legal authors write *indorse*. "A promise to *indorse*, though on sufficient consideration, cannot be treated as an actual *indorsement*."—*Bayley*. "The liability of the *indorser* is discharged by want of notice, as in the case of the drawer."—*Roscoe*. "A person who draws or *indorses* a bill, or *indorses* a note for the accommodation of the acceptor, or maker, or payee, or prior *indorsers*, has, on paying the instrument, a remedy over thereon against the acceptor, or maker, or prior party."—*Chitty*. "A drawer or *indorser* cannot, in the character of *indorsee*, maintain an action against the acceptor, where the *indorsement* is after the refusal of payment."—*Glen*.

IV. Should we say *indorsement* or *indorsation*? In England we always use the word *indorsement*. "No particular words are essential to an *indorsement*; the mere signature of the *indorser* is, in general, sufficient."—*Bayley*. "The *indorsement* may be upon the face, or at the back of the bill."—*Chitty*. "An attesting witness to an *indorsement* is necessary, when the bill is for a less sum than £5."—*Chitty*. In Scotland the term more generally used is *indorsation*. "If a bill or note be granted to a woman while single, and she afterwards marry, the right to transfer it by *indorsation* would vest in the husband." "After a bill has been paid, no *indorsation* can take place, so as to affect the acceptor, or any of the parties who would otherwise be discharged."—*Glen*. The word *indorsement* is also used in Scotland, though more rarely. Both words appear to have precisely the same meaning. An *indorsation* is made, either by the *indorser's* writing, and subscribing an order to pay the contents of the bill to some particular person mentioned by name, which is styled a *full indorsement*, or by merely signing his name on the bill, and delivering it to the *indorsee*, or person to whom it is *indorsed*, which is termed a *blank indorsation*."—*Glen*. "A fictitious *indorsement* to a bill is forgery; such *indorsation* is clearly giving it a false credit."—*Glen*.

V. Should we say the *presentment* or the *presentation* of a bill of exchange? All writers agree in using *presentment*. "If upon the *presentment* of the bill for acceptance to the drawee, he refuse or neglect to accept it, the drawer is immediately responsible to the holder, although the bill has not become due according to its tenor."—*Chitty*. "If the bill be payable after sight, and the drawee detain it some days without declaring his intention to accept, and afterwards incline to do so, the acceptance must be from the date of the first *presentment*."—*Glen*. "*Presentment* for payment must be made by the holder of the bill, or by an agent competent to give a legal receipt for the money."—*Glen*. "Upon a *present-*

ment for acceptance, the bill should be left with the drawee twenty-four hours, unless in the interim he either accept, or declare a resolution not to accept. But a bill or note must not be left (unless it be paid) on a *presentment* for payment; if it be, the *presentment* is not considered as made until the money is called for." — *Bayley*.

VI. Should we write *draught* or *draft*? This word is derived from the verb *to draw*, and probably was originally written and pronounced *draught*. But custom, which is the law of language, has changed both the pronunciation and the spelling to *draft*. In the former editions of this work, I mentioned that Mr. Justice Bayley had always spelled this word *draught*; but in a recent edition of his work, since published, I find that *draught* has been changed to *draft*.

VII. Should we write *check* or *cheque*? This word is derived from the French, *echecs*, *chess*. The chequers placed at the doors of public-houses are intended to represent chess-boards, and originally denoted that the game of chess was played in those houses. Similar tables were employed in reckoning money, and hence came the expression, to check an account; and the government office, where the public accounts were kept, was called the Exchequer. It probably obtained this name from the French *echiquier*, a chess-board; though Blackstone states that this court was called the exchequer, from the chequered cloth which covered the table. Of the two forms of writing this word, *check* and *cheque*, the latter seems preferable, as it is free from ambiguity, and is analogous to EX-CHEQUER, the public treasury. It is also used by the Bank of England, "CHEQUE-OFFICE." In *Bayley* both forms are employed. "A *cheque* upon a banker was lost, and paid to a stranger the day before it bore date; the banker was obliged to repay the money to the loser." "By the usage of trade, a banker in London will not render himself responsible by retaining a *check* drawn on him, provided he return it at any time before five o'clock on the evening of the day in which it was drawn."

SECTION IV. — THE GENERAL ADMINISTRATION OF A BANK.

To be a good banker requires some intellectual and some moral qualifications. A banker need not be a man of talent, but he should be a man of wisdom. Talent, in the sense in which the word is ordinarily used, implies a strong development of some one faculty of the mind. Wisdom implies the due proportion of all the faculties. A banker need not be a poet or a philosopher, a man of science or of literature, an orator or a statesman. He need not possess any one remarkable quality by which he is distinguished from the rest of mankind. He will possibly be a better banker without any of these distinctions. It is only necessary that he should possess a large portion of that practical quality which is called common sense. Banking talent (using the word *talent* here in the sense of adaptation of character to any particular pursuit) consists more in the union of a number of qualities, not in themselves individually of a striking

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character, but rare only in their combination in the same person. It is a mistake to suppose that banking is such a routine employment that it requires neither knowledge nor skill. The number of banks that have failed within the last fifty years are sufficient to show that to be a good banker requires qualities as rare and as important as those which are necessary to attain eminence in any other pursuit. The dealer in money exercises intellectual faculties of a high order, and of great value to the community. His profession has a powerful bearing on the practical happiness of mankind.

"The philosophy which affects to teach us a contempt of money, does not run very deep; for, indeed, it ought to be still more clear to the philosopher than it is to the ordinary man, that there are few things in the world of greater importance. And so manifold are the bearings of money upon the lives and characters of mankind, that an insight which should search out the life of a man in his pecuniary relations, would penetrate into almost every cranny of his nature. He who knows, like St. Paul, both how to spare and how to abound, has a great knowledge: for if we take account of all the virtues with which money is mixed up, — honesty, justice, generosity, charity, frugality, forethought, self-sacrifice, — and of their correlative vices, it is a knowledge which goes near to cover the length and breadth of humanity: and a right measure and manner in getting, saving, spending, giving, taking, lending, borrowing, and bequeathing, would almost argue a perfect man." (*Taylor's Notes on Life.*)

But though wisdom, — or, in other words, a high degree of common sense, — does not imply the possession of any remarkable talent (the undue development of any one faculty), it always implies the absence of any remarkable defect. One great defect in a banker is a want of decision. A banker ought to know how to balance the evidence on each side of a question, and to arrive speedily at a just conclusion.

"Indecisiveness will be, *ceteris paribus*, most pernicious in affairs which require secrecy. 1st. Because the greatest aid to secrecy is celerity. 2d. Because the undecided man, seeking after various counsel, necessarily multiplies confidences. The pretext for indecisiveness is commonly mature deliberation; but, in reality, indecisive men occupy themselves less in deliberation than others; for, to him who fears to decide, deliberation (which has a foretaste of that fear) soon becomes intolerably irksome, and the mind escapes from the anxiety of it into alien themes. Or, if that seems too open a dereliction of its task, it gives itself to inventing reasons of postponement. And the man who has confirmed habits of indecisiveness, will come in time to look upon postponement as the first object in all cases, and wherever it seems to be practicable, will bend all his faculties to accomplish it." *

Another defect is a want of firmness. A banker having, after a mature consideration, made up his mind, should be capable of a strict adherence to his previous determination; he should know when to say, *No*; and having once said *No*, he should adhere to it.

Another defect is a hasty or impetuous temper.

"He that answereth a matter before he heareth it, it is folly and shame unto him." "He that is slow to wrath is of great understanding, but he that is hasty of spirit exalteth folly." "A wise man will hear, and will increase learning; and a man of understanding shall attain unto wise counsels." (*Proverbs of Solomon.*)

Another defect is that of being swayed by any personal or constitutional prepossession. Almost every man, — not excepting even the banker, —

* *Taylor's Statesman.* I would advise all bankers, and all other persons at the head of large establishments, to read this little work.

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has a sin by which he is most easily beset ; a constitutional defect, against which it is necessary he should be upon his guard.

It is a great advantage to a banker, and indeed to every one else, to know himself. He should know wherein he excels, and wherein he is deficient. He ought to know whether he is disposed from his temperament to be excessively cautious or excessively liberal ; whether his manners are courteous or abrupt ; whether he is apt to view matters on their gloomy or on their bright side ; whether social intercourse renders him more or less fit for his official engagements ; whether the presents and civilities he receives from his customers do, or do not, affect his transactions with them in matters of business. When he has made a loss, he should examine whether the loss was occasioned by the ordinary operation of events, or produced by any little weaknesses of his own character. He should record all those instances in which he has shown a want of firmness, of discretion, of discrimination, or of perseverance ; and should guard in future against the exhibition of any similar defect : —

“ Man, know thyself ; all wisdom centres there.”

But while a banker should make himself acquainted with his own defects, he ought not to let his customers become acquainted with them. All wise men know their own defects ; none but fools publish them. Crafty men, who often have occasion to borrow money, are quick in perceiving the weaknesses of their banker. And if they find that by coaxing, or flattering, or gossiping, or bribing, or threatening, they can influence his conduct, he will always be at their mercy. On this account it is, perhaps, advisable that a banker should not have too much social intercourse with those of his customers who have occasion to ask him for any large amount of accommodation.

Wisdom implies prudence and discretion, and these should regulate the whole conduct of a banker, not merely when engaged in banking transactions, but at all other times. We may apply to a banker the language we have elsewhere applied to a merchant : —

“ The amusements of a merchant should correspond with his character. He should never engage in those recreations which partake of the nature of gambling, and but seldom in those of a frivolous description. A judge is not always on the bench, a clergyman is not always in the pulpit, nor is a merchant always on ‘change ; but each is expected at all times to abstain from any amusements which are not consistent with his professional character. The credit of a merchant depends not merely on his wealth, but also upon the opinion generally entertained of his personal qualities ; and he should cultivate a reputation for prudence and propriety of conduct, as part of his stock in trade.” (*Lectures on the History and Principles of Ancient Commerce*, by J. W. Gilbart).

A banker should have a talent for selecting suitable instruments. He ought not only to know himself ; he ought also to have a capacity for knowing others. He should know how to choose proper clerks for the discharge of the duties of the office. He should know also what parties to employ to procure him confidential information as to the character and circumstances of commercial houses, or of individuals. He should know how to choose his partners or coadjutors, and should endeavour to select those who possess qualifications in which he is himself deficient. In all

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cases when he has any object to effect, he should know how to make use of other men. We may here, as in some other cases, apply to a banker the observations Mr. Taylor applies to a statesman : —

“ The most important qualification of one who is high in the service of the State is his fitness for acting through others, since the operations vicariously effected ought, if he knows how to make use of his power, to predominate greatly over the importance which can attach to any man's direct and individual activity. The discovery and use of instruments implies indeed activity, as well as judgment; because it implies that judgment which only activity in affairs can give. But it is a snare into which active statesmen are apt to fall, to lose, in the importance which they attach to the immediate and direct effects of their activity, the sense of that much greater importance which they might impart to it if they applied themselves to make their powers operate through the most effective and the widest instrumentality. The vanity of a statesman is more flattered in the contemplation of what he does than of what he causes to be done; although any man whose civil station is high ought to know that his causative *might* be beyond all calculation wider than his active sphere, and more important.” (Taylor's *Statesman*.)

A neglect of this rule has occurred in the history of some joint-stock banks, where the manager has impaired his own health, and damaged his bank, by taking upon himself a vast variety of duties which should have been assigned to others; forgetful that in large establishments the chief officer should confine his personal attention to those duties which are intellectual, or which are of the chief importance; while the duties which are of a mere manual, or less important character, should be performed through the instrumentality of assistants. We shall illustrate the principle of working through others by a Scriptural example : —

“ And it came to pass that Moses sat to judge the people; and the people stood by Moses from the morning unto the evening. And Moses' father-in-law said unto him, The thing that thou doest is not good. Thou wilt surely wear away, both thou and this people that is with thee: for this thing is too heavy for thee; thou art not able to perform it thyself alone. Hearken now unto my voice, and I will give thee counsel. Thou shalt provide out of all the people able men; and place such over them, to be rulers of thousands, and rulers of hundreds, rulers of fifties, and rulers of tens. And let them judge the people at all seasons: and it shall be that every great matter they shall bring unto thee, but every small matter they shall judge; so shall it be easier for thyself, and they shall bear the burden with thee. So Moses hearkened to the voice of his father-in-law, and did all that he had said.” (Exodus xviii. 13–22.)

“ And Moses said, I am not eloquent, but I am slow of speech and of a slow tongue.” — “ Is not Aaron the Levite thy brother? I know that he can speak well. Thou shalt speak unto him, and put words into his mouth; and he shall be thy spokesman unto the people.” (Exodus iv. 10–16.)

A banker should know how to economize his own time. One mode of doing this will be, as we have intimated, to assign inferior duties to others. His accountant should keep his books and make his calculations. His secretary should write his letters (except those of a private or confidential nature), and he should only sign them. His chief clerk should attend to the discipline of the office. A banker at the head of a large establishment should not only be acquainted with the art of banking; he ought also to be acquainted with the art of government. He ought to put a clever man at the head of each department, and reserve to himself only the duty of general superintendence. He should give these parties a pretty wide discretion, and not encourage them to ask his instructions about matters of comparatively trifling importance. If he does this, they

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will never learn to think for themselves, — never feel that wholesome anxiety which results from a sense of responsibility, — and never acquire that decision of mind which arises from the necessity of forming an independent judgment. Consequently, they will be less useful to him in their present position, and never become qualified for higher offices.

Another mode of economizing time is to observe a principle of order. A banker should come to the bank every day at the same hour; attend to his affairs, one by one, in the same order; and leave the bank at his usual time. By observing this routine, he will not only save much time, but he will avoid tumultuous feelings, and maintain a calmness of mind and of manner, that will be useful in all his affairs. He will also acquire from habit, a coolness of investigation and a promptness of decision, and he will get through a great deal of work without ever appearing to be in a hurry.

Another mode of economizing time is, to make his interviews with his customers, or with other parties, as short as he can. He should not encourage conversation upon any other topic than that which is the occasion of the interview. He had better receive his customers standing; as in that case they will stand too, and are not likely to remain so long as if they were to sit down. And the furniture of the room should be so arranged that the customer, if he sit down, should sit near the door, so that he may depart whenever disposed. He is not likely to remain so long as if seated comfortably by the fireside. It is also desirable that his room should be so placed, with reference to the other parts of the building, that while it has one door open to the public, it should have another door opening into the office; so that he may easily pass into the office, to ascertain the state of a customer's account, or to consult with himself or another person, in doubtful cases, as to the course to be adopted. It is not advisable that the customer who applies, for instance, to have a heavy bill discounted, should witness the hesitation or the deliberation of the banker. Hence it is better, when it can be done, to establish the practice of the customer giving the bills to a clerk, who shall bring them into the banker's room, and take back his reply.

A banker will take means for obtaining and recording information. He should not, as we have said, keep any books himself; but he ought always to have in his room, ready for immediate reference, if necessary, the "General Balance Book," containing the weekly balances of the general ledger, which will show the weekly progress of his business for several years past; the "Daily Balance Book," showing the daily balance to the credit of each of his customers in the current-account ledger; the "Weekly Discount Balance Book," showing the amount of discounts, loans, or other advances which each customer has every Saturday night; the "Inspection Book," showing the amount of bills bearing the names of houses who do not keep an account with him; the "Information Book," containing the character of all the houses about whom he has had occasion to make inquiries; and, finally, a "Private Memorandum Book," in which is entered any special agreements that he has made with his customers. It is also useful to a banker to have a list of his customers, classified according to their trades or professions; such as corn merchants,

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eatner factors, grocers, solicitors, &c., &c. The banker would thus see at a glance among what classes of society his connections are. When any public event was likely to affect any class, — such, for instance, as the corn merchants, — he would see how many of his customers are likely to be affected. By thus, too, bearing in mind the trade or profession of his customers, he would be able to judge more readily whether the bills they brought him for discount had arisen out of their business transactions.

Of these books, one of the most important is the “*Information Book.*” There is no doubt that a banker of great experience, and of a strong memory, may always bear in his mind a very correct estimate of the standing and character of all the houses that usually come under his notice. But this does not supersede the necessity for recording his information in a book. His memory may fail, and that too on important occasions; and certainly if he leave the bank for a short time, as he must sometimes have occasion to do, he will carry his memory with him. But if the *Information Book* be closely kept up, he will record his knowledge for the use of those who will have to take his place. It is no valid objection to the keeping of such a book, to say that the position of houses is perpetually changing. Those changes should be recorded, so that their actual standing should always be readily referred to. If a banker is requested by a customer to make inquiry about a house, he should record the information he gets for his own guidance, in case any bills on that house should afterwards be offered him for discount.

A banker will get information about parties from inquiry at their banker's, as we have mentioned at page 6. This information may be defective in two ways. In the first place, their banker may judge of them from the account they keep, — that is, from the balance to their credit, — and thus he may give too good an account of them; or, secondly, their banker may have an interest in keeping up their credit, and under this bias he may not give them so bad a character as they actually deserve. Another source of information is from parties in the same trade. Houses in the same trade know pretty well the standing of one another. Wholesale houses are well acquainted with the retail shopkeepers who buy of them. Most bankers have among their own customers some houses in almost every trade, who can give them any information respecting other houses which they may require. The bills that pass through his hands will also often give him some useful hints respecting the parties whose names are upon them.

It is of great importance to a banker to have an ample knowledge of the means and transactions of his customers. The customer, when he opens his account, will give him some information on this subject. The banker will afterwards get information from his own books. The amount of transactions that his customer passes through his current account will show the extent of his business. The amount of his daily balance will show if he has much ready cash. The extent and character of the bills he offers for discount, will show if he trust large amounts to individual houses, and if these are respectable. On the other hand, the bills his customer may accept to other parties, and his payments, will show the

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class of people with whom he deals, or who are in the habit of giving him credit. But one main source of information is to see the man. This, like other means of information, will sometimes fail; but, generally speaking, the appearance and manners of a man will show his character. Some people always send their clerk to the banker with bills for discount, &c. This is all very well, if they want no extraordinary accommodation; but if they ask for any thing out of the usual way, the banker had better say that he wishes to see the principal. And if he had a doubt whether his customer was tricky or honest, speculative or prudent, let him be guided by his first impression,—we mean the impression produced by the first interview. In nine cases out of ten the first impression will be found to be correct. It is not necessary to study physiognomy or phrenology to be able to judge of the character of men with whom we converse upon matters of business.

A country banker has greater facilities than a London banker of ascertaining the character and circumstances of other parties. In a country town every thing is known about every body,—a man's parentage and connections, his family and associates, the property he has already received, and what he may expect to receive from his relations, and, above all, his personal habits and disposition. Upon the last point we will make a short extract from an excellent series of "Letters to a Branch Manager," now in course of publication in the "Bankers' Magazine," under the signature of "Thomas Bullion."

"Next in importance to a study of his accounts, the habits and character of a client are deserving of your attentive consideration. If a man's style of living, for example, becomes extravagant, and he gives himself over to excess, you cannot too promptly apply the curb, however regular the transactions upon his account may seem; because years may elapse before mere irregularity of living will make any impression on his banking account; whereas irregularity in business will exhibit itself immediately, and for this reason,—that whereas improvident habits of living involve a continuous waste in small sums, spreading over tolerably long periods, improvidence in business may involve in one fell swoop the loss, perhaps, of thousands. I hold, then, that you are not warranted in all cases in feeling satisfied of a man's perfect responsibility until his banking account exhibits indubitable evidence to the contrary."—*Bankers' Magazine*, December, 1848.

A banker should always have general principles; that is, he should have fixed rules for the government of his bank. He should know beforehand whether he will or will not advance money on mortgage, or upon deeds, or upon bills of lading, or warrants; or whether he will discount bills based upon uncommercial transactions, or having more than three months to run. These are only a few of the cases in which a banker will find it useful to store his mind with general principles.

One advantage of this adoption of general principles is, that it saves time. If a banker can say, in reply to a customer, "It is contrary to the rules of our bank to advance money upon bills of lading," the reply is conclusive. But if he had not previously adopted any rule upon the subject, the reply would have taken up much more time. Another advantage is, that it gives decision of mind, and saves the banker from being "talked over" by any of his customers who may possess fluency of speech, or dexterity in debate. In this case, the banker whose mind is stored with

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general principles, though he may listen patiently to all his customer shall advance, will give the same reply which he would have given, had the application been made in fewer words.

But although a banker ought to have a large stock of general principles, — and this stock will increase as his experience increases, — yet it may not be always wise to explain these principles to his customer. It is generally best, when a banker gives a refusal, to give no reasons for that refusal. Banking science is so little understood that the public generally are unable to appreciate its principles. Besides, a man who wants to borrow money can never be convinced by reasoning that his banker is right in refusing to lend it to him ; nor, in fact, did the banker himself acquire his knowledge of banking by reasoning. He acquired it, not by reasoning, but by experience ; and he must not expect that his customers, who have had no experience, will, by reasoning alone, readily acquiesce in the banking principles he may propound to them. In most cases, therefore, he had better keep his reasons to himself.

But while we contend that every banker should have general principles, we do not say that in no possible case should he depart from them. But he should not look for such cases ; they are rare, and when they do occur they will force themselves upon his attention. If under shelter of the truism, “all rules have their exceptions,” he departs from his general principles whenever he finds it convenient or profitable to do so, he may as well have no general principles at all.

It seems desirable that a banker in a large city should mark out for himself one or two main branches of business, rather than attempt to carry on banking in all its branches. We see this line of conduct adopted by some of the most eminent London bankers. A west end banker will not discount a bill ; a city banker will not lend money on mortgage. Different kinds of banking exist in different parts of the country, according to the character and circumstances of the district. And in London there are numerous classes of people, and it may be both proper and advantageous for a banker to adapt his mode of business chiefly to the requirements of some one particular class. Different banks may thus pursue different courses, and all be equally successful.

A banker will exercise due caution in taking new accounts. He will expect the new customer to be introduced by some person to whom he is personally known. The more respectable the introducer, the higher opinion will the banker entertain of the party introduced. If a party apply to open an account without such an introduction, he is asked to give references to some well-known houses. He is expected to state to the banker the kind of business in which he is engaged, and the extent of accommodation, if any, that he is likely to require. He will state the kind and character of the bills he will have to offer to discount, and mention any peculiarity in his business or circumstances that may occasionally require especial consideration. It is a great folly in a party opening an account to make any representation that will not afterwards turn out to be correct. Every banker is anxious to avoid taking shabby accounts ; and especially such as are opened for the purposes of fraud, or to obtain a fictitious credit, or to get undue accommodation. It is considered to be not

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advisable to take the account of a party who has another banker, especially if he open the account for the purpose of getting additional discount. The object of a party keeping two bankers is, usually, to get as much accommodation as he can from each. If an account is brought from another bank, the reason of the removal should be distinctly stated, and the banker will accept or reject it, according to circumstances. It is bad policy in a banker to attempt to draw away the connections of another bank, by offering them greater accommodation. It is also usually bad policy to take the accounts of parties residing at a distance, as their transactions do not come under the notice of the banker; and the fact of their passing by the banks in their neighbourhood to go elsewhere, is one that should excite suspicion. It is not advisable for London bankers to take the accounts of private individuals who reside in the country. They should be referred to the bankers in their own districts.

¹ A small banker should not attempt to take large accounts. Banks, otherwise well administered, have been ruined by one large account. If this account requires accommodation, it will absorb the banker's funds, so that he will be compelled to stint his other customers, or to have recourse to re-discount, or other modes of raising money. Even if it be only a deposit account, it may produce inconveniences. A small banker cannot so readily employ this large deposit profitably, and yet have it at command whenever required; and the additional amount he must keep in his till will be proportionably greater than would be kept by a large banker. Thus, if £100,000 be placed in a bank that has already £2,000,000 of deposits, the additional sum kept in the till to meet daily demands may not be much increased; but should it be lodged with a banker whose deposits are only £300,000, the increase of notes to be kept in his till will be very considerable. This shows that large deposits are not so profitable to small banks as to large ones. There is also a danger that a small banker will employ his large deposits in such a way as shall render him less ready to repay them punctually. Instances have occurred of small banks being greatly inconvenienced by the repayment of large deposits, which had been placed in their hands by railway companies. It is prudent, therefore, in a banker to apportion the amount of his transactions to the extent of his business.

A very important part of the business of a banker consists in the discounting of bills. The bills presented to a bank for discount, may generally be divided into the following classes:—

“1st. Bills drawn by producers or manufacturers upon wholesale dealers.

“2dly. Bills drawn by wholesale dealers upon retail dealers.

“3dly. Bills drawn by retail dealers upon consumers.

“4thly. Bills not arising out of trade, but yet drawn against value, as rent, &c.

“5thly. Kites, or accommodation bills.

“The first two classes of bills are the best, and are fair legitimate bills for bankers to discount.

“The third class ought not to be too much encouraged; they are for comparatively small amounts, and are drawn by shopkeepers and trades-

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men upon their customers. To discount these bills freely would encourage extravagance in the accepters, and ultimately prove injurious to the drawers. When a man accepts bills to his butcher, baker, tailor, upholsterer, &c., he may fairly be suspected of living beyond his income. Solvent and regular people pay their tradesmen's accounts with ready money.

"The fourth class of bills, though sometimes proper, ought not to be too much encouraged. Persons out of trade have no business with bills.

"The last class of bills should always be rejected. To an experienced banker, who knows the parties, the discovery of accommodation bills is by no means difficult. They are usually drawn for even amounts, for the largest sum that the stamp will bear, and for the longest term that the bank will discount, and are presented for discount soon after they are drawn. The parties are often relations, friends, or parties who, from their avocations, can have no dealings with each other.

"Not only the parties and the amounts of bills are matters of consideration to a banker, but also the time they have to run before they fall due. A bill drawn for a long term after date, is usually styled, not perhaps very properly, 'a long dated bill.' A bill drawn at a short term, is styled, 'a short dated bill.'" (*History and Principles of Banking*, p. 167.)

In doubtful cases, the banker, before discounting a bill, will probably look through his books, and satisfy himself with regard to the following inquiries:—

What is the character of the customer? This inquiry will be answered from the Information Book. What is the usual balance of his cash accounts? This will be answered by the Daily Balance Book. What amount has he now under discount? This will be answered from the Discount Ledger, and will suggest other inquiries. Is that amount greater or less than usual? What proportion does that amount bear to the average amount of his cash balance? Is the amount chiefly upon few parties, or is it divided among a number? Have their bills been discounted chiefly upon the strength of the customer, or upon the strength of other parties? Are his bills generally paid? He will then proceed to inquire about the other parties to the bill. What is the character of the acceptor in the Information Book? What is the nature of the transactions between the customer and the acceptor, as far as can be ascertained? Has he had any bills upon him before, and have they been punctually paid? Are there any bills upon him now running, and how soon will they become due?

In the discount of bills it is necessary to guard against forgeries. It has happened that parties carrying on a great business in London, have presented to their banker, for discount, bills drawn upon all parts of the country; which bills, upon inquiry, have turned out to be purely fictitious. This is an additional reason for bankers making inquiry about the accepters of the bills they discount, even when they think they have reason to be satisfied with the drawers. Even this is no protection against forgery. Sometimes the name of a most respectable house in a provincial town has been forged. Where the amount is large, therefore, it seems advisable to send the bill down to some banker in the town, and ask his opinion as to

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the genuineness of the signature. Of course in these, and many other cases in which a banker is liable to be cheated, much must depend upon personal discretion ; no rules can be given for all cases.

To facilitate the detection of forged CHEQUES, it is advisable that the banker should have a printed number placed on every cheque, in every cheque book, and keep a record of the name of the customer to whom each book is given. When a cheque with a forged signature appears, the banker can then turn to this registry, and see to which of his customers he had given out this cheque. This plan has been found useful in tracing forgeries that have been perpetrated by the clerks or servants of the party keeping the account. Some bankers, moreover, place on their cheque books a printed label, requesting the customer will at all times keep the book under his own lock and key.

To guard against forgery in the case of DEEDS or BONDS, all these documents should be witnessed by an officer of the bank. And when a letter of guarantee is given by a third party, it should not be taken by the banker from the party in whose favor it is given, but the letter should be signed at the bank, and the signature witnessed by one of the clerks.

A banker is also liable to loss from the alteration of cheques. The words six, seven, eight, and nine, can easily be changed by the addition of y, or ty, into sixty, seventy, eighty, or ninety. Sometimes, too, when cheques are drawn for less than £ 10, if a space be left open before the word, another word may be introduced. Thus, a short time ago a cheque was drawn on a banker for £ 3, and the party who obtained it wrote the word sixty before the word three, and thus cheated the banker out of £ 60. Letters of credit, as well as cheques, have heretofore been altered, by the original sum being taken out, and a larger sum being substituted. This is now prevented by staining the paper with a chemical preparation. Country banks also stamp upon their drafts the words " under ten pounds," " under twenty pounds," and so on, to prevent an alteration to any sum beyond those amounts.

The re-discounting of bills of exchange is an operation of much importance, and has a great influence on the monetary operations of the country. We quote from a former work of our own upon this subject :—

" Banks situated in agricultural districts have usually more money than they can employ. Independently of the paid-up capital of the bank, the sums raised by circulation and deposits are usually more than the amount of their loans and discounts. Banks, on the other hand, that are situated in manufacturing districts, can usually employ more money than they can raise. Hence, the bank that has a superabundance of money, sends it to London, to be employed by the bill-brokers, usually receiving, in return, bills of exchange. The bank that wants money sends its bills of exchange to London, to be re-discounted. These banks thus supply each other's wants, through the medium of the London bill-brokers." (*The History of Banking in America*, by J. W. Gilbert.)

But this principle of the re-discount of bills has been, in some cases, grossly abused, by being employed to give a sort of vitality to dead loans. A country banker lends upon mills and manufactories a larger amount of money than he can conveniently spare ; then he asks the manufacturer to accept a bill for the amount, which the banker gets discounted in London or elsewhere. This bill, when due, is renewed, and the renewal is again

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replaced by another, and so the game goes on. As long as money is abundant all parties are pleased; the manufacturer gets his advance, the banker gets his commission, and the London bill-broker gets employment for his funds. But a pressure comes. The London bill-broker can discount no more, because the funds placed in his hands by his depositors have been withdrawn. The banker cannot get the new bills discounted elsewhere, and is unable to take up the old bills that are returned to him with his indorsement. The manufacturer, of course, cannot pay the money; the banker stops payment, and the manufacturer is ruined. The places at which this system has been chiefly carried on, are Manchester and Newcastle-upon-Tyne; and it is in these places that the greatest failures have taken place among the joint-stock banks. In fact, I believe it must be confessed, that the joint-stock banks have carried on this practice to a much greater extent than it was ever carried on by the private bankers. This has arisen from the greater credit which they possessed: it is one of the forms of the abuse of credit.

A London banker is always anxious to avoid dead loans. Loans are usually specific advances for specified times, either with or without security. In London, advances are generally made by loans; in the country, by overdrafts. The difference arises from the different modes of conducting an account. In London, the banker is paid by the balance standing to the credit of the account. A customer who wants an advance, takes a loan of such an amount as shall not require him to keep less than his usual balance. The loan is placed to the credit of his current account, until the time arrives for its repayment, and then he is debited for the principal and the interest. The country banker is paid by a commission, and hence the advance to a customer is made by his overdrawing the account, and he is charged interest only on the amount overdrawn.

Loans are divided into short loans and dead loans. Short loans are usually the practice of the London bankers: a time is fixed for their repayment. Dead loans are those for the payment of which there is no specified time; or where the party has failed to make the repayment at the time agreed upon. In this case, too, the loan has usually been made upon *dead*, — that is, upon inconvertible, security. Without great caution on the part of the banker, *short* loans are very apt to become *dead* loans. A loan is first made for two or three months; the time arrives, and the customer cannot pay; then the loan is renewed, and renewed, and renewed, and ultimately the customer fails, and the banker has to fall back upon his securities. The difference between *short* loans and *dead* loans may be illustrated by a reference to Liverpool and Manchester. The Liverpool bankers make large advances by way of loan, but usually on the security of cotton. The cotton is sold in a few months, and the banker is paid. At Manchester, the banker advances his loans on the security of mills and manufactories; he cannot get repaid; and after awhile the customer fails, and the mill or manufactory, when sold, may not produce half the amount of the loan.

Dead loans are sometimes produced by lending money to rich men. A man of moderate means will be anxious not to borrow of his banker a

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loan which he will not be able punctually to repay, as the good opinion of his banker is necessary to his credit. But a man of property has no scruples of the kind ; he has to build a house, to improve his estate, or to extend his manufactory ; and he is unreasonable enough to expect that his banker will supply him with the necessary funds. He believes it will be only a temporary advance, as he will shortly be in possession of ample means. The banker lends the sum at first desired ; more money is wanted ; the expected supplies do not arrive, and the advance becomes a dead lock-up of capital. The loan may be very safe, and yield a good rate of interest, but the banker would rather have the money under his own control.

Dead loans are sometimes produced by lending money to parties to buy shares in public companies. There was too much business of this kind transacted by some bankers a few years ago. The party did not at first, perchance, apply to his banker to enable him to purchase the shares ; but the calls were heavy, and his ready money was gone ; he felt assured, however, that in a short time he should be able to sell his shares at a high profit ; he persuaded his banker to pay the calls, taking the shares as security. Other calls were made, which the banker had to pay. The market fell, and the shares, if sold, would not pay the banker's advances. The sale, too, would have caused an enormous loss to the customer. The advances became a dead loan, and the banker had to wait till a favorable opportunity occurred for realizing his security.

In this, and in other ways, a banker has often much difficulty with customers of a speculative character. If he refuse what they ask, they remove their account, and give him a bad name ; if he grant them their desires, they engage in speculations by which they are ruined, and probably the banker sustains loss. The point for the banker to decide is, whether he will lose them or ruin them. It is best, in this case, for the banker to fix upon what advance he should make them, supposing they conduct their affairs prudently ; and if they are dissatisfied with this, he had better let them go ; after they have become bankrupts he will get credit for his sagacity.

The discounting of bills is an ordinary matter of business, and the banker has only to see that he has good names to his bill ; but in regard to loans, a banker would do well to follow the advice which Mr. Taylor gives to individuals, and not make a loan, unless he knows the purpose for which it is borrowed, and to form his own judgment as to the wisdom of the party who borrows, and as to the probability of his having the means of repayment at the time agreed upon.

* " Never lend money to a friend, unless you are satisfied that he does wisely and well in borrowing it. Borrowing is one of the most ordinary ways in which weak men sacrifice the future to the present ; and thence it is that the gratitude for a loan is so proverbially evanescent ; for the future, becoming present in its turn, will not be well pleased with those who have assisted in doing it an injury. By conspiring with your friend to defraud his future self, you naturally incur his future displeasure. To withstand solicitations for loans is often a great trial of firmness ; the more especially as the pleas and pretexts alleged are generally made plausible at the expense of truth ; for nothing breaks down a man's truthfulness more surely than pecuniary embarrassment, —

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‘An unthrift was a liar from all time;
Never was debtor that was not deceiver.’

The refusal which is at once the most safe from vacillation, and perhaps as little apt to give offence as any, is the point blank refusal, without reasons assigned. Acquiescence is more easily given in the decisions of a strong will than in reasons, which weak men, under the bias of self-love, will always imagine themselves competent to controvert.” (*Notes on Life*, by John Taylor.)

Sometimes, when an advance of money is wanted for two or three months, the party gives a note of hand. This is better than a mere loan, as it fixes the time of payment, and keeps the transaction fresh in the recollection of the borrower. But care must be taken that the note, by repeated renewals, does not in fact become a dead loan. Hence, when a renewal cannot be avoided, attempts should be made to reduce the amount. When public companies, of only a short standing, and not fully constituted, wish to borrow money of their banker, it is sometimes expedient to take the joint and several promissory note of the directors. By this means the banker avoids all knotty questions connected with the law of partnership; and the directors will, for their own sakes, see that the funds of the company shall, in due time, be rendered available for the repayment of the loan.

We have said that dead loans are usually advanced upon inconvertible security. Sometimes that security consists of a deposit of deeds relating to leasehold or freehold property. In London, however, this kind of security is not considered desirable, and the following rules are usually observed.

No advances are made upon the security of deeds alone; they are taken only as collateral security, and then only to cover business transactions, and in cases where the parties are supposed to be safe independently of deeds.

The value of the property should be much higher than the sum it is intended to guarantee. When this is the case, and the parties fail, their creditors may take the deeds and pay the debt due to the bank. The main use of taking deeds is to have something to fall back upon in this way. A customer should never receive more accommodation from having deposited his deeds than that to which he is legitimately entitled. No banker takes deeds if there is the slightest probability of his being compelled to realize the property, as the legal difficulties are very great.

In all cases in which deeds are taken, they are submitted to the inspection of the banker's solicitor, who makes a written report upon the value of the property, as far as it can be discovered by the deeds, and upon its legal validity as a security to the bank.

The rule of a banker is, never to make any advances, directly or indirectly, upon deeds, or any other *dead* security. But this rule, like all other general rules, must have exceptions, and when it is proper to make an exception is a matter that must be left to the discretion of the banker. He should, however, exercise this discretion with caution and prudence, and not deviate from the rule without a special reason to justify such deviation.

Among country bankers, in agricultural districts, advances upon deeds

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are not considered so objectionable as in London. A landed proprietor who wants a temporary advance places his deeds in the hands of his banker, and takes what he requires. The banker thinks he can have no better security; but the loan is usually for only a moderate amount, and is paid off within a reasonable time. In the country the character and circumstances of every man is known. A landlord who wants an advance to meet immediate demands, until his rents come in, seems fairly entitled to assistance from his banker. But should a landlord who is living beyond his income ask for an advance almost equal to the value of his deeds, he would not be likely to obtain it. Every banker is aware that when deeds are lodged as security for loans, or discounts of any kind, interest upon the advance cannot be charged at a higher rate than five per cent.

Another kind of security is bills of lading, and dock warrants. Advances upon securities such as these must be considered as beyond the rules which prudent bankers lay down for their own government; they can only be justified by the special circumstances of each case. In advancing upon bills of lading, the banker must see that he has *all the bills of the set*; for if he has not *all*, the holder of the absent bill may get possession of the property. It is also necessary that he have the policy of insurance, that, in case the ship be lost, he may claim the value from the insurers. In advances upon dock warrants, the banker should know that the value of the goods is equal to his advances, and will also give him a margin, as a security against any fall in the market price. But, in truth, no banker should readily make advances upon such securities. Now and then he may take them as collateral security, for an advance to a customer who is otherwise respectable; but if a customer requires such advances frequently, not to say constantly, it shows that he is conducting his business in a way that will not ultimately be either for his own advantage or that of his banker.

A banker should never make any advances upon life policies. They may become void, should the party commit suicide, or die by the hand of justice, or in a duel; or if he go without permission to certain foreign countries. The payment may be disputed, upon the ground that some deception or concealment was practised when the policy was obtained. And, in all cases, they are dependent upon the continued payment of the premiums. The value of a policy, too, is also often overrated. The insured fancies that his policy increases in value in exact proportion to the number of premiums he has paid; but if he offers it to the company, he will find that he gets much less than he expected. The policy is valued in a way that remunerates the office for the risk they have run during the years that are past; and the valuation has a reference only to the future. Thus, if a man at twenty years of age insures his life, the expectation, or probability of life, as it is called, that is, the number of years he is likely to live upon the general average, is, according to the Northampton tables, thirty-three. If he wishes his representatives to receive £1,000 at his death he will pay a proportionate annual premium. When forty years of age, he will have paid twenty premiums, and he may fancy that his policy is worth the total amount of the premiums. But the policy is valued,

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not with reference to the past, but with reference to the future. At forty years of age his "expectation of life" is not thirteen, but twenty-three years. It is then calculated that twenty-three years hence the policy will be entitled to £1,000; but that the annual premiums must be paid in the mean time. The value of the policy, therefore, is the present value of this £1,000, less the present value of all these annual payments. Should he wish to sell his policy when he is sixty years of age, he will find that it is proportionably less valuable, for his expectation of life will still be thirteen years. A short rule for ascertaining the expectation of life, according to the Northampton tables, is to take the age from the number eighty-six, and then divide by two. The value of a policy is generally about one third of the amount of all the premiums that have been paid.

There are certain signs of approaching failure, which a banker must observe with reference to his customers. Thus, if he keep a worse account than heretofore, and yet wants larger discounts,—if the bills offered for discount are drawn upon an inferior class of people,—if, when his bills are unpaid, he does not take them up promptly,—if he pays in money late in the day, just in time to prevent his bills or cheques being returned through the clearing; but, above all, if he is found cross-firing, that is, drawing bills upon parties who at the same time draw bills upon him; as soon as a banker detects a customer in fair credit engaged in this practice, he should quietly give him reason for removing his account.

Sometimes two parties, who keep different bankers, will adopt a practice of exchanging cheques. Their cheques are paid into the banks too late to be cleared on the same day; and hence the parties' accounts appear better the next day than they otherwise would be. Some failing parties, too, have recourse to forged or fictitious bills, which they put into circulation to a large amount. The best way for a banker to guard against loss from this practice is, to inquire in all cases about the accepters of the bills that he discounts, not only when his customers are doubtful, but even when they are deemed respectable. Indeed, it is only people in good credit that can pass fictitious bills.

The banker's rule is, that they who have discounts must keep a proportionate balance; this is useful, as the amount of balance kept is an indication of the circumstances of the party. When a customer has heavy discounts, and keep but a small balance, it may usually be inferred that he is either embarrassed in his affairs, or he is trading beyond his capital.

The operation which is called "nursing an account," sometimes requires considerable prudence, tact, and perseverance. A banker, having made considerable advances to a customer, suddenly discovers that the party is not worthy of the confidence he has placed in him. If these advances should be called up or discontinued, the customer will break, and the banker sustain loss. The banker must be governed by the circumstances of each case. It is sometimes best to continue to discount the good bills, and refuse those of a different character; and thus gradually weed the account of all the inferior securities. Sometimes he may get the customer to stipulate that he will diminish his advances by certain fixed amounts, at certain periods; and thus, by alternately refusing and complying, the banker may at length place himself in a state of security

At other times, the banker may offer to make still further advances, on condition of receiving good security also for what has been already advanced. This plan is advisable when the additional advance is not proportionately large, and the security is not inconvertible, otherwise the plan is sometimes a hazardous one. It requires some courage to look a loss in the face. And it has occurred that a banker, rather than sustain a small loss, will consent to make a further large advance upon inconvertible security; and the locking up of this large advance for an indefinite period has proved the greater evil of the two. In fact, some of the largest losses of fallen banks have been made in this way. They have, in the first instance, made an imprudent advance; rather than sustain this loss at once, they have made a further advance, with a view to prevent it. The advance has at last become so large, that if the customer falls the bank must fall too. For the sake of self-existence, further advances are then made; these, too, are found ineffectual, and ultimately the customer and the bank fall together.

SECTION V. — THE ADMINISTRATION OF A BANK WITH REGARD TO PROCEEDINGS ON BILLS OF EXCHANGE.

WHEN a banker has discounted a bill, it is handed to the accountant, who will see that it is drawn on a right stamp. The accountant will read it through, and see that it is properly drawn, and will observe that the sum in writing corresponds with the sum expressed in figures, and that no alteration has taken place in the amount, the date, the term, or the place at which it is made payable; for these are *material* alterations, and would affect the validity of the bill. He will then calculate the time at which it falls due, and place this date upon the bill, or, if it was there before, he will check it, and see that it is right. He will then turn it over and see that it is indorsed by the party in whose favor it is drawn, and also that the subsequent indorsements are regular and properly spelled; for if there be a variation of a single letter in the spelling of a name, the payment of the bill could not be legally enforced. He will also observe that the bill is indorsed by the party for whom it is discounted. He will then pass the bill through the books (these books are described in the section on Banking Book-keeping), and at the close of the day deliver it with the others to the banker. The banker will, on the following morning, put these bills away in his bill-case according to the dates at which they fall due. This point should be recollected by persons who have to get bills from a banker before they are due; for, after they have given the amount and the names, the next question asked them will be, "When is it due?" for, among a multitude of bills, the only way of readily finding any individual bill is to turn to those that fall due on the same day. Every day the banker looks out the bills that fall due on the following day, and hands them to the chief clerk (or, in some cases, the chief clerk himself has the charge of the bills), who, after checking them against the books, distributes them

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among the clerks who are to collect them. If the bill be not paid, it is noted on the same evening, and on the following morning returned to the customer for whom it was discounted, and his account is debited for the amount. But if the party has not the sum to his credit, and the banker does not like to trust him, he merely receives notice of its dishonor; and notice is also given to every other party to the bill, with a demand for immediate payment. The bill has now become that hated object, a "past due bill"; and after a while, if the parties are supposed to be "worth powder and shot," it is handed to the bank's solicitor.

I shall give a short description of Bills of Exchange, and notice a few of those points of law and of business which are of most importance to practical bankers.

A bill of exchange is a written order from one person to another, directing him to pay a sum of money either to the drawer or to a third person at a future time. This is usually a certain number of days, weeks, or months, either after the date of the bill, or after sight; that is, after the person on whom it is drawn shall have *seen* it, and shall have written on the bill his willingness to pay it. The party expresses this willingness by writing on the bill the word "accepted," and his name. If the bill be drawn after sight, he also writes the date of the acceptance.

If the party in whose favor the bill is drawn wishes to transfer it, he writes his name on the back. This is called an *indorsement*; and may be either special or general. A special indorsement is made to a particular party; as, "Pay to Messrs. John Doe & Co. or order." A general, or blank indorsement, is when the person merely writes his name. It is held by the lawyers (see Chitty on Bills of Exchange, p. 103) that a special indorsement cannot *follow* a general indorsement, and that in such a case the holder may sustain an action for the amount, though the bill be not indorsed by the party to whom it is thus specially assigned. In practice, however, this is very common; and bankers always refuse to pay bills not properly indorsed, even though previous indorsements may be general. But, in regard to post bills, the Bank of England pays no regard to any special indorsement that may follow a general indorsement.

The following is the form of a Bill of Exchange:—

£1,000.

London, 1st of May, 1827.

Two months after date, pay to the order of Messrs. Quick, Active, & Co. (or me or my order) the sum of One Thousand Pounds, for value received.

Hearty, Jolly, & Co.

To Messrs. John Careful & Co.,
Southwark.

Accepted, payable at
Messrs. Steady & Co., Bankers.
John Careful & Co.

A Promissory Note is as follows:—

£1,000.

London, 1st of May, 1827.

Two months after date, we promise to pay Messrs. Hearty, Jolly, & Co., or their order, the sum of One Thousand Pounds, for value received.

John Careful & Co.

At Messrs. Steady & Co., Bankers,
Lombard Street.

The acceptance is usually written across a bill, but should always be on

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the front, not on the back of the bill. An indorsement, as the name implies, should be placed on the back.

The person who draws a bill is called the drawer; the person on whom it is drawn is called the drawee; after the bill is accepted the drawee is called the acceptor. The person who indorses a bill is called the indorser; the person to whom it is indorsed is the indorsee. The person who pays a bill is the payer; the person to whom it is paid is the payee. These and similar terms may be illustrated by a circumstance said to have occurred on the cross-examination of a witness, on a trial respecting a mortgage. *Counsellor*, "Now, Sir, you are a witness in this case; pray do you know the difference between the mortgager and the mortgagee?" *Witness*, "To be sure I do. For instance, now suppose I nod at you, I am the nod-er, and you are the nod-ee." The word discountee, denoting the person for whom a bill is discounted, is not used in England, but I observe in the parliamentary evidence that it was employed by some of the witnesses from Scotland.

All bills, except those payable on demand or at sight, are allowed three days' grace. Thus, a bill drawn at two months from the 1st of May will fall due on the 4th of July; but, if that day be a Sunday or a public holiday, the bill will be due on the day before. Some bills, instead of being drawn after date or sight, state the time of payment, as "On the first of August pay, &c." These bills are allowed the usual three days of grace. Such a bill would fall due on the 4th of August.

To remove all doubts upon this subject, an act of Parliament was passed (7th and 8th Geo. IV. ch. 5), which enacts, "that from and after the tenth day of April, one thousand eight hundred and twenty-seven, Good Friday, and Christmas-day, and every day of fast or thanksgiving appointed by his Majesty, is and shall for all purposes whatever, as regards bills of exchange and promissory notes, be treated and considered as the Lord's-day, commonly called Sunday." This act does not extend to Scotland, but it has since been extended to Ireland. This act does not vitiate a bill *dated* on a Sunday.

Some parties, when they indorse a bill, write at bottom, "In case of need apply to Messrs. C. D. & Co." That is, if the bill be not paid when due, Messrs. C. D. & Co. will, on the day after it is due, pay it for the honor of the indorsers. The notaries always observe the "cases of need" upon the bills that come into their hands, and apply to the proper parties. The advantage of placing a case of need upon a bill is, that the party indorsing it receives it back sooner in case of non-payment. It also makes the bill more respectable, and secures its circulation.

Were it not for the space it occupies, it would be very desirable that the indorser of a bill of exchange should be compelled to state also his address. This would prevent forged and fictitious indorsements, and give a banker who discounts a bill a better opportunity of ascertaining the respectability of the parties. In case, too, the bill was unpaid, he might immediately apply to all the indorsers, whereas now he has to find them out in the best way he can. The indorsers and drawer of a bill would have earlier notice of its non-payment, and have a better opportunity of obtaining their money from the antecedent parties.

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Bills are divided into Inland and Foreign. Inland bills are those in which both the drawer and the acceptor reside in England. Bills drawn from Scotland or Ireland are considered as foreign bills. If a foreign bill be refused acceptance or payment, it should be immediately protested and returned. An inland bill is only noted, and then only when refused payment. A foreign bill may be accepted verbally, or by letter; but no acceptance of an inland bill is valid, unless written upon the bill itself.

When a merchant in one country draws bills upon a merchant residing in another country, he usually draws them in sets; that is, he draws two, three, or more bills of the same tenor and date. These bills are sent to his correspondent by different ships. Thus, he secures the swiftest conveyance, and his remittances will not be delayed by any accident that may happen to an individual ship. In drawing these bills, it is always expressly stated whether each bill be the first, second, or third of a set; as, "Pay this my *first* of exchange (the second and third not being paid)." On the payment of any one bill, the others are of no value. If a merchant, say at Paris, has a set of bills drawn on a merchant at London, he will sometimes send over the first bill to his correspondent in London, to get it accepted, and to retain it until claimed by the holder of the second. The merchant at Paris will then write on the second bill, that the first lies accepted at such a house in London. He will then sell it, or pay it away. By this means, he is sure that the bill he negotiates will not be returned to him, and greater value is given to his bill, not only as it has the additional security of the acceptor's name, but, if it be drawn after sight, it will become due so much the sooner. When the second bill arrives in London, the holder takes it to the house where the first is deposited, and it is immediately given up to him.

Foreign bills are often drawn at a "usance" after date. A usance from Amsterdam, Rotterdam, Hamburg, or any place in Germany, is one month; from France, thirty days; from Spain and Portugal two months; from Sweden, seventy-five days; from Italy, three months. Where it is necessary to divide a month upon a half usance, which is the case when the usance is either one month or three, the half month is always fifteen days. Bills drawn from Russia are dated according to the old style, and twelve days must be added to the date in order to ascertain at what time they fall due.

A bill is sometimes accepted *for the honor* of the drawer, or of one of the indorsers. Thus, if a bill from Hamburg be drawn upon a person in London, who refuses to accept it, another party, knowing the drawer or one of the indorsers to be a respectable man, may accept the bill himself, for the honor of the party with whom he is acquainted. By this means, he prevents the bill being returned, with expenses. This kind of acceptance renders him liable to pay the bill on the day after it is due, but he can afterwards recover the amount from the party for whose honor he has accepted it, and, of course, from all preceding parties. But, to secure himself, he must not accept the bill until after it has been protested for non-acceptance, and he must write, "Accepted for the honor of A. B. & Co." upon the face of the bill. And when the bill is due, he must not pay it until it has been presented for payment to the drawee.

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Bills accepted, and made payable at a banking-house, in the usual manner, without the addition of the word *ONLY*, may be presented either at the banking-house, or at the residence of the acceptor. In either case, it is a legal presentment (1 & 2 Geo. IV. ch. 78), as far as regards the acceptor. In practice, however, bills are always presented at the place where they are made payable. If a bill be addressed to a banking-house or any other place *ONLY*, the payment cannot be enforced until it has been presented at that place. If any particular place of payment be mentioned in the body of a promissory note, it must be presented there.

When bankers receive any unaccepted bills, they send them out for acceptance, if they have four days to run. They are left at the house of the drawee, and are called for on the following day. On the day the bills are due, the tellers present them in the morning at the place where they are made payable. If not paid when presented, they leave a printed notice or direction, of which the following is a copy : —

Bill for £
Drawn by Mr.
On Mr.
Lies due at Messrs. Steady & Co.
No. Lombard Street.

Please call between Two and Four o'clock.

If not paid by five o'clock, the bill is sent to the notary's. It is brought to the banking-house the following morning, with the notary's ticket attached to it, stating the reason why it is not paid. The bill is then returned. If it be a foreign bill, that is, drawn from any foreign land, it must be protested. Foreign bills are also protested for non-acceptance ; but inland bills are not, nor even noted, but the party who remitted the bill to the banking-house is advised of the circumstance.

Bills under the value of 40*s.* are not subject to the stamp duty ; nor are drafts upon bankers payable to bearer on demand, provided the drafts are drawn within fifteen miles of the banking-house, and they specify such place, and bear date on or before the day on which they are issued. A person drawing a cheque beyond this distance, is subject to a penalty of £ 100 ; the person knowingly receiving it, to a penalty of £ 20 ; and the banker paying it is liable to a penalty of £ 100. The post-dating of cheques to make them serve the purpose of bills of exchange is subject to the same penalties. (55 Geo. III. ch. 184, 812, 813.)

The following is the form of a *Draft* or *Cheque* : —

No. 457. London, May 1, 1827.
Messrs. Hope, Rich, & Co., Lombard Street.
Pay John Doe, Esq., or bearer, the sum of One Hundred Pounds.
£ 100 *Peter Thrifty & Co.*

The words “ or bearer ” are essentially necessary, or the draft must be drawn on a stamp, and indorsed by the party who receives it.

Bills for 20*s.* and under £ 5 must specify the name and residence of the payee ; they must be payable within twenty-one days after date, and be attested by one subscribing witness. Every indorsement must be at-

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tested by a witness ; and must specify the name and residence of the indorsee. All bills drawn for a less sum than 20s. are illegal.

A bill given for an illegal consideration cannot be enforced by the drawer, but it may be enforced by an innocent holder who had no knowledge of the illegal consideration, and who received the bill before it was due. The principal illegal considerations are those arising from usury, gambling, and smuggling. Bills drawn at not more than twelve months after date, are exempt from the operation of the laws against usury.

The following is the Table of Stamp Duties upon Bills of Exchange : —

				Not exceeding 2 months after date, or 60 days sight.			Exceeding 2 months after date, or 60 days sight.		
£	s.	£	s.	£	s.	d.	£	s.	d.
Amounting to 2	0	and not exceeding 5	5	0	1	0	0	1	6
"	5	"	20	0	1	6	0	2	0
"	20	"	30	0	2	0	0	2	6
"	30	"	50	0	2	6	0	3	6
"	50	"	100	0	3	6	0	4	6
"	100	"	200	0	4	6	0	5	0
"	200	"	300	0	5	0	0	6	0
"	300	"	500	0	6	0	0	8	6
"	500	"	1000	0	8	6	0	12	6
"	1000	"	2000	0	12	6	0	15	0
"	2000	"	3000	0	15	0	1	5	0
"	3000	"	—		1	5	1	10	0

Foreign Bills drawn in sets : —

		£	s.	d.
Not exceeding		100		1 6 each bill.
Exceeding £100	not exceeding	200		3 0 "
"	200	500		4 0 "
"	500	1000		5 0 "
"	1000	2000		7 6 "
"	2000	3000		10 0 "
"	3000	—		15 0 "

Foreign bills (those drawn from foreign parts) are not required to bear an English stamp, nor indeed any stamp at all. But bills *dated* from any place abroad, but actually drawn in England, on unstamped paper, are invalid. No action can be sustained to enforce payment, nor can they be proved in the Court of Bankruptcy against the estate of even the acceptor. A banker should therefore use caution in taking bills where the drawers and the accepters are the same firm, — one branch of the house residing in England, and the other branch residing abroad. Such bills may be fabricated in London for the purpose of raising the wind.

If a woman accepts a bill, and is married before it becomes due, her husband may be sued for the amount, but she cannot. If a bill be indorsed to a woman, who afterwards marries, her husband must indorse the bill, unless she indorses it as the agent and by the authority of her husband. Should she have occasion to sue any of the antecedent parties to a bill, the action must be brought in the name of the husband, or else in the joint names of the husband and the wife. If a woman who is actually married accept a bill by and with the authority of her husband, the acceptance is binding on the husband ; but if she accept a bill without

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his authority, he cannot be legally compelled to pay it, unless it were given for articles necessary to her support.

A person under twenty-one years of age, whether acceptor, drawer, or indorser of a bill of exchange, cannot be sued at law, except the bill be drawn upon him for necessities; but if he draw a bill and transfer it to a third person, the third party may sue the acceptor. The term "necessaries" is generally considered to include, not only those things which are essential to existence, but those also which are suitable to the rank of the party. Many articles are considered necessary to the son of a nobleman, which would not be necessary to a man of an inferior station in society.

If the drawee refuse to accept a bill, the holder may immediately bring an action for the amount against all the other parties, without waiting until the bill becomes due. And should the word "at" be written before the name of the drawee, it makes no difference, especially if it be written in such a manner as if designed to escape observation. But it is the practice of the London bankers to hold bills refused acceptance, and merely give notice of the circumstance to the party who sent it to the bank. If, however, it be an inland bill, drawn after sight, the bill is noted for non-acceptance. If it be a foreign bill, it is protested, and the protest sent to the last indorser. If the bill be not paid when due, it is then protested for non-payment, and, with the second protest, returned to the last indorser. When a bill is drawn after sight, the day on which it is noted or protested for non-acceptance, is regarded as the day on which the drawee has seen it, and the time on which it will become due is calculated accordingly.

If the acceptor, drawer, and all the indorsers to a bill become bankrupts, the holder may prove for the full amount under each commission, and receive a dividend under each, provided he do not receive altogether more than 20s. in the pound. But if he receive a dividend under one commission before proving under the others, he can only prove for the balance.

If a bill be lost, immediate notice should be given to the acceptor, and to the bankers or other parties at whose house it may be made payable. If, after such notice, they pay the bill to any person who had not given value for it, they are accountable to the loser. But a person who had given value for a lost or stolen bill to a thief or to a finder, can recover the amount from all the parties in the same way as though he had received it, in the course of business, from the last indorser, provided the bill was not specially indorsed. But if it was specially indorsed, and the thief or finder should have forged the indorsement, the holder cannot recover the amount, even though he may have given value for the bill, but he must sustain the loss.

If a lost bill should have been specially indorsed, or if the loser can prove that the bill has been destroyed, he can bring an action against the acceptor for the amount. But if he cannot prove that the bill is actually destroyed, and it was indorsed in blank, he cannot recover from the acceptor. For it is possible that a finder may pass it for a valuable consideration to another party, who would thus be a *bonâ fide* holder, and might compel the acceptor to pay him the amount. In this case, there-

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fore, the loser has no redress in *law*, but he may apply to a court of equity, and *might* obtain an order upon the acceptor to pay the amount of the lost bill upon receiving a satisfactory indemnity. The loser of a bill should cause payment to be demanded from the acceptor the day it falls due, and give notice of dishonor to the drawer and indorsers, in the same way as though he had the bill in his possession.

A country banker gave change for a Bank of England note for £ 100 which had been stolen. It was done at the time of the races, and immediately on opening the bank. The party who brought it stated he had some bets to pay at the race-course, and gave a fictitious address, which was written on the note. The loser of the note brought an action against the banker, and recovered the amount. The judge who tried the cause, stated that, in his opinion, there had been laches, i. e. neglect on the part of the bankers in not making further inquiry, and under his direction the jury returned a verdict for the plaintiff.

Any material alteration of a bill of exchange vitiates the bill, and it cannot be legally enforced against any of the parties, unless the alteration be made before the bill be accepted, and also before it has passed out of the hands of the drawer.

Thus, if a bill be left for acceptance by the drawer, and the drawee alter the date, time, or amount of the bill, and then accept it, the alteration does not affect the validity of the bill; but if the bill be left for acceptance by a third party, and the drawee then alters and accepts the bill, the bill is vitiated. Any alteration in the date, sum, time, name of drawer or payee, or appointing a new place of payment, is a material alteration, and requires a new stamp. But any alteration made only with a view of correcting a mistake does not vitiate a bill, provided it be made with the concurrence of all the parties. If a drawee accepts a bill, and before he gives the bill out of his possession cancels his acceptance, he cannot be compelled to pay it.

A bill must be presented in *reasonable* time. But what is a *reasonable time* is a question of consideration for the jury, and the decision has varied according to circumstances. If a bill be presented at a banker's after the hour of business, the presentment is not in reasonable time; nevertheless such a presentment is a legal presentment, if the banker or any person on his behalf should be there to give an answer to the party presenting it.

Cheques, and notes payable on demand, should also be presented for payment within a *reasonable time* after they are received. It has been held that a person who receives a cheque is not bound to present it at the banker's till the next morning; and if the bank was at a distance he was not bound to put the cheque into the post-office until the next day. But, perhaps, it would not be safe to rely upon these decisions. No general rule can be given; for the time which may be *reasonable* in one case may be unreasonable in another.

If a banker receive a bill or note by post, he is not required to present it until the next day.

"A man taking a bill or note payable on demand, or a cheque, is not bound, laying aside all other business, to present or transmit it for payment the very first opportu-

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nity. It has long since been decided, in numerous cases, that, though the party by whom the bill or note is to be paid live in the same place, it is not necessary to present the instrument for payment till the morning next after the day on which it was received. And later cases have established, that the holder of a cheque has the whole of the banking hours of the next day within which to present it for payment." (*Byles's Law of Bills of Exchange*, p. 123.)

In the following case it was decided that the presentment of a bill of exchange at the clearing-house is a legal presentment.

"On the 11th of September, between one and two o'clock, the defendants gave the plaintiffs a cheque upon Bloxam & Co., then bankers, in payment for goods. The plaintiffs lodged the cheque with Messrs. Harrison, their bankers, a few minutes after four; and they presented it between five and six to Bloxam & Co., who marked it as good. It was proved to be the usage among London bankers not to pay any cheque presented by or on behalf of another banker after four o'clock, but merely to mark it if good, and pay it next day at the clearing-house. On the 12th, at noon, Harrisons' clerk took this cheque to the clearing-house, but no person attended for Bloxam & Co., who stopped payment at nine on that morning, and the cheque was therefore treated as dishonored. The plaintiffs, in going with the cheque to Harrisons', passed Bloxams' house. On a case stating these facts, the court held that there had been no laches in the plaintiffs in not presenting the cheque to Bloxam & Co. on the 11th for payment, or in his bankers in not presenting it at the banking-house, but merely at the clearing-house, and therefore gave judgment for the plaintiff." (*Bayley On Bills of Exchange*.)

Bills may be negotiated after they are due, but the party receiving an over-due bill cannot acquire a claim which the party holding the bill did not possess. For instance, one party may draw an accommodation bill upon another. As in this case no value had been given, the drawer could not sue the acceptor for the amount. But if the drawer had passed this bill *for value* to a third party *before it became due*, that party could sue the acceptor. But if the drawer passed it to a third party even for value *after it became due*, the third party could not sue the acceptor, but would stand in the same situation as the drawer.

If a party lodged bills with a banker for the purpose of being collected, and the amount when received to be placed to his credit, and the banker gets them discounted, and applies the money to his own use, the customer has no redress except against the banker. The party who has given value for the bills to the banker can enforce payment of them.

As the giving notice of the dishonor of a bill or cheque is of considerable practical importance, I shall make a few extracts upon the subject from Mr. Justice Bayley's *Treatise on Bills of Exchange*.

"Though no prescribed form be necessary for notice of the dishonor of a bill or note, it ought to import that the person to whom it is given is considered liable, and that payment from him is expected.

"And the notice ought to import that the bill or note has been dishonored. A mere demand of payment and threat of law proceedings, in case of non-payment, is not sufficient.

"Especially if such demand be made on the day the bill or note becomes due.

"Notice must be given of a failure in the attempt to procure an acceptance, though the application for such acceptance might have been unnecessary; otherwise the person guilty of the neglect may lose his remedy upon the bill.

"The notice must come from the holder, or from some party entitled to call for payment or reimbursement.

"A notice from the holder or any other party will enure to the benefit of every other party who stands between the person giving the notice and the person to whom

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it is given. Therefore a notice from the last indorsee to the drawer will operate as a notice from each indorsee.

"It is, nevertheless, prudent in each party who receives a notice, to give immediate notice to those parties against whom he may have right to claim; for the holder may have omitted notice to some of them, and that will be no protection; or there may be difficulties in proving such notice.

"A notice the day the bill or note becomes due is not too soon; for though payment may still be made within the day, non-payment on presentment is a dishonor.

"To such of the parties as reside in the place where the presentment was made, the notice must be given, at the farthest, by the expiration of the day following the refusal; to those who reside elsewhere, by the post of that or the next post day. Each party has a day for giving notice, and he is entitled to the whole day; at least, eight or nine o'clock at night is not too late. He will be entitled to the whole day, though the post by which he is to send it goes out within the day.

"And though there be no post the succeeding day for the place to which he is to send; therefore, where the notice is to be sent by the post, it will be sufficient if it be sent by the post of the following day; or, if there be no post the following day, the day after.

"Where a party receives notice on a Sunday, he is in the same situation as if it did not reach him till the Monday; he is not bound to pay it any attention till the Monday, and has the whole of Monday for the purpose. So, if the day on which notice ought thus to be given be a day of public rest, as Christmas-day or Good Friday, or any day appointed by proclamation for a solemn fast or thanksgiving, the notice need not be given until the following day.

"And it has been held that where a man is of a religion which gives to any other day of the week the sanctity of Sunday, as in the case of the Jews, he is entitled to the same indulgence as on that day.

"Where Christmas-day, or such day of fast or thanksgiving, shall be on a Monday, notice of the dishonor of bills or notes due or payable the Saturday preceding need not be given until the Tuesday following.

"And Good Friday, Christmas-day, and any day of fast or thanksgiving, shall, from 10th April, 1827, as far as regards bills or notes, be treated and considered as Sunday.

"But these provisions do not apply to Scotland.

"If the holder of a bill or note place it in the hands of his banker, the banker is only bound to give notice of its dishonor to his customer, in like manner as if the banker were himself the holder, and his customer were the party next entitled to notice.

"And the customer has the like time to communicate such notice, as if he had received it from a holder.

"And therefore by thus placing a bill or note in a banker's hands, the number of persons from whom notice must pass is increased by one.

"Thus notice sent by a London banker to a London customer the day after the dishonor is in time; and if the customer communicate that notice the day following, that will be in time also.

"It is no excuse for not giving notice the next day after a party receives one, that he received his notice earlier than the preceding parties were bound to give it, and that he gave notice within what would have been proper time if each preceding party had taken all the time the law allowed him. The time is to be calculated according to the period when the party in fact received his notice. Nor is it any excuse that there are several intervening parties between him who gives the notice, and defendant to whom it is given; and that if the notice had been communicated through these intervening parties, and each had taken the time the law allows, the defendant would not have had the notice sooner.

"Sending a verbal notice to a merchant's counting-house in the ordinary hours of business, at a time when he or some of his people might reasonably be expected to be there, is sufficient; it is not necessary to leave or to send a written notice, or to send to the house where he lives. Sending notice by the post is sufficient, though it be not received; and where there is no post, it is sufficient to send by the ordinary mode of conveyance.

"And it is not essential the notice should be sent by the post where there is one; sending to an agent by a private conveyance, that he may give the notice, is sufficient, if the agent give the notice, or take due steps for the purpose, without delay.

"Notice to one of several partners is notice to all: and when a bill has been drawn

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by a firm upon one of the partners, and by him accepted and dishonored, it is unnecessary to give notice of such dishonor to the firm; for this must necessarily be known to one of them, and the knowledge of one is the knowledge of all.

"Upon an acceptance payable at a banker's, notice of non-payment need not be given to the acceptor; for he makes the bankers his agents; presentment to them is presentment to him.

"A person who has been once discharged by laches from his liability on a bill or note is always discharged. And, therefore, where two or more parties to a bill or note have been so discharged, but one of them, not knowing of the laches, pays it; he pays it in his own wrong, and cannot recover the money from another of such parties."

As many bills drawn in foreign languages pass through the hands of a London banker, it may be useful to give a list of some of those words which express the amount and the time, the two main points in a bill of exchange:—

English, . . .	One	Two	Three	Sixty	Ninety.
German, . . .	Ein	Zwei	Drei	Sechzig	Neunzig.
Dutch, . . .	Een	Twee	Drie	Zestig	Negentig.
French, . . .	Un	Deux	Trois	Soixante	{ Quatre-vingt-dix, or Nonante.
Italian, . . .	Uno	Due	Tre	Sessanta	Nonanta, or Novanta.
Spanish, . . .	Uno	Dos	Tres	Sesenta	Noventa.
Portuguese, . .	Hum	Dous	Tres	Secenta	Noventa.
Swedish, . . .	En	Twa	Tre	Sexti	Nitti.
Danish, . . .	Een	To	Tre	Tredsiendstyve	Halvfemtesindstyve.
English, . . .	Two months after date.				Three days after sight.
German, . . .	Zwei monate nach dato.				Drei tage nach sicht.
Dutch, . . .	Twee maanden na dato.				Drie dagen na zigt.
French, . . .	A deux mois de date.				A trois jours de vue.
Italian, . . .	A due mesi dopo data.				{ A tre giorni vista. A tre giorni dopo vista.
Spanish, . . .	{ A dos meses de la fecha. A dos meses data.				{ A tres dias vista.
Portuguese, . .	A dous mezes de data.				A tres dias vista.
Swedish, . . .	Twa manader ifran dato.				Tre dagar efter sigt.
Danish, . . .	To maaneder efter dato.				Tre dage efter sigt.

In all the above languages, "at sight" is usually expressed by *a vista*, except the French, which expresses it by *à rue*. "At usance" is expressed by *a uso* or *ad uso*. The names of the months so nearly resemble the English, that a mistake can but rarely occur.

The following are forms of bills in each of the above languages:—

FRENCH.

Lille, le 28 Septembre, 1848.

Au vingt-cinq Décembre prochain, Il vous plaira payer par ce mandat à l'ordre de nous-mêmes la somme de cent cinquante-huit livres sterlings 9 shellings valeur en nous-mêmes et que passerez suivant l'avis de

A Messieurs _____
à Londres.

Bon pour £158 9 Sterlings.

GERMAN.

Nürnberg, den 28 October, 1848.

Zwei monate nach dato zahlen Sie gegen diesen Prima Wechsel an die Ordre des Herrn _____ Ein Hundert Pfund Sterling den Werth erhalten. Sie bringen solche auf Rechnung laut Bericht von

Herrn _____
London.

Pro £100 Sterling.

Bills of Exchange.

DUTCH.

Grouw, den 1st November, 1848.

Voor £59 17 6

Twee maanden na dato gelieve UEd te betalen voor dezen onzen prima Wisselbrief de secunda niet betaald zynde aan de ordre van de Heeren _____ negen & vyftig Ponden zeventien schelling en zes pences sterling, de waarde in rekening UEd stelde het op rekening met of zonder advys van _____

de Heer _____
te London.

ITALIAN.

Livorno, le 25 Settembre, 1848.

Per £500 Sterline.

A Tre mesi data pagate per questa prima de Cambio (una sol volta) all' ordine _____, la somma di Lire cinque cento sterline valuta cambiata, e ponete in conto M. S. secondo l'avviso Addio _____

Al _____
Londra.

SPANISH.

Malaga, á 20 de Setbr^e de 1848.

Son £300.

A noventa dias fecha se servirán V^e mandar pagar por esta primera de cambio á la orden de los S^{res} _____ Trescientas libras Esterlinas en oro o plata valor recibido de dhos S^{res} que anotaran valor en cuenta segun aviso de _____

A los S^{res} _____
Londres.

PORTUGUESE.

£600 Esterlinas.

Lisbon, aos 8 de Dezenbro de 1848.

A Sessenta dias de vista precizos pagará V _____ por esta nossa unica via de Letra Segura, á nos ou á nossa Ordem a quantia acima de Seis Centas Livras Esterlinas valor de nos recebido em Fazendas, que passara em Conta segundo o aviso de _____

Ao Sen^r _____
Londres.

SWEDISH.

Bjorneberg, den 23 September, 1848.

For £ Sterl. 100.

Nittio Dagar efter dato behagade H. H. emot denna prima Wexel (secundo obetald) betala till Herr _____ elle ordres Ethundra Pund Sterling som stalles i rakning enligt avis. _____

Herrar _____
London.

DANISH.

Kjbenhavn, 9 December, 1848.

Rbae 4,000.

Tre maaneder efter dato behager de at betale denne Prima Vexel, secunda ikke, til Herr _____ eller ordre med Fire Tusinde Rigsbank Daler, Valutta modtaget og stilles i Regning ifølge advs. _____

Herrer _____
London.

Bills of exchange form a large proportion of the circulating medium of Lancashire, and supply the place of country notes. The following account is given by J. Gladstone, Esq., M. P. :— *

"We sell our goods, not for payments in cash, such as are usual in other places, but generally at credits from ten days to three months, to be then paid for in bills on London at two or three months' date. Those bills we pay to our bankers, and receive from them bills or cash, when we have occasion for either, to make our payments. The bank-notes or gold we require for our ordinary purposes and charges of merchandise of every description. The account is kept floating. The interest on both sides is calculated at the same rate, at present five per cent. Last year the rate was reduced to four; and the banker charges a commission of a quarter per cent. on the amount of

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one side of the account. That charge is his remuneration, and that of his bankers in London, for paying our acceptance there, both inland and foreign. The account fluctuates, depending on the confidence the banker may have in his customers; if that confidence is entire, the customer is occasionally in his banker's debt, but more frequently the balance is in his favor.

"Does that extend to the whole of Lancashire?—I believe the system at Manchester, Preston, and the other principal towns, is similar; I am not aware of any other. There are some small country bankers in the neighbourhood of Manchester who issue promissory notes, but I do not know any thing of their practice; none of the more respectable banks in Lancashire do issue them." (Lords, 216, Gladstone.)

"If I sell a thousand pounds' worth of goods to a wholesale grocer, or any other person who again distributes them to his customers in the country, when he comes to pay me the £1,000 he will do so in bills, running from £10 to any other sum; the £1,000 may be paid in twenty or thirty bills of exchange, drawn on London, and generally at two and sometimes three months' date." (Lords, 227, Gladstone.)

Mr. Lewis Loyd, of the firm of Messrs. Jones, Loyd, & Co., estimated, in 1826, that the circulation of Manchester consists of nine parts bills of exchange, and the tenth part gold and Bank of England notes. Others think the proportion is as high as twenty to one, or even fifty to one. (See *Evidence of Lewis Loyd, Esq., and of Mr. Henry Burgess, before the Committee of the House of Lords*, pp. 294, 298.) Mr. Loyd stated he had seen bills of £10 with a hundred and twenty indorsements upon them; and when the stamp duties were lower, bills were drawn of a less amount. He gives the following *criteria* of accommodation bills:—"Bills that are issued for speculation generally travel to London very rapidly, with very few indorsements upon them; they are wanted to be converted into bank-notes immediately, and come quite clean, and without any marks of negotiation upon them; and, besides that, we know the parties upon them pretty well." In Scotland an accommodation bill is called a wind bill.

It may be mentioned, that after the establishment of branches of the Bank of England at Manchester and Liverpool, the bill circulation of Lancashire was considerably diminished. Most of the banks made agreements with the branch bank, stipulating that in consideration of having a certain amount of discount, at a reduced rate of interest, they would not issue for local circulation any bills they had discounted for their customers. These agreements have been modified since the act of 1844; but still the main circulation of Lancashire consists of Bank of England notes. It would not now be possible to find a bill with a hundred and twenty indorsements.

The late Mr. Leatham attempted to calculate the amount of bills in circulation, or, more properly speaking, in existence, during each year. He, through Lord Morpeth, obtained a return of the number of stamps issued from 1835 to 1839 inclusive, and based his calculations on the supposition that each bill was circulated for half the amount which the stamps would cover, which was considerably under the amount. From the experience of his own bank, compared with that of the principal discount offices in London, he found that the average date of bills, including foreign and inland, was three months. He then took the whole stamps for a year and divided them by four, which gave the amount circulating at one time. By a similar induction, he estimated foreign bills at one sixth of the English, though the proportion was rather greater; and he took the

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same average for Irish bills in the years where no official returns had been made. Mr. Leatham's statement is as follows :—

Bill Circulation of Great Britain and Ireland, during the years undermentioned.

	1815.	1824.	1825.	1826-27.
	£	£	£	£
Bill Stamps for Great Britain, creating the sum,	477,493,100	232,429,800	260,379,400	207,347,400
Estimated Irish Bills,	79,582,183	33,736,300	43,396,566	34,557,803
Foreign Bills,	92,845,880	45,194,683	50,629,327	40,317,072
Total,	649,921,163	316,362,783	354,405,293	282,222,305
Average circulation,	162,480,290	79,090,695	88,601,323	70,555,576

The following is a similar return for the years 1835 to 1839.

	1835.	1836.	1837.	1838.	1839.
	£	£	£	£	£
British Bills,	294,775,269	355,288,900	333,263,600	341,947,400	394,203,000
Irish Bills,	51,109,061	59,155,607	54,179,165	54,359,464	55,615,722
Estimated amount of Foreign Bills,	57,914,721	69,420,406	65,012,080	66,500,577	75,479,120
Bills created by bankers compound- ing for Stamps,	1,604,000	2,078,560	2,624,600	2,696,600	3,196,000
Total,	405,403,051	485,943,473	455,084,445	465,504,041	528,493,842
Average circulation,	101,350,762	121,435,863	113,771,111	116,376,010	132,123,460

There are some knotty questions connected with bills of exchange ; such as, Ought bills of exchange to be regarded as currency ? Have bills of exchange any effect on the prices of commodities ? In what way do bills of exchange adjust the foreign exchanges ? We have discussed these questions elsewhere ; but, as they more appropriately belong to the science than to the practice of banking, we do not introduce them into the present work.

SECTION VI. — THE ADMINISTRATION OF A BANK WITH REGARD TO THE EMPLOYMENT OF ITS SURPLUS FUNDS.

THE means of a London banker consist mainly of his capital and his deposits. A certain portion of this sum is kept in the till, to meet daily demands ; another portion is advanced in the way of discounts or loans to his customers. The remainder forms his surplus fund ; of which a part will probably be invested in government securities ; loans to bill brokers, payable on demand ; in short, loans on the stock exchange, or in first-rate bills obtained through the bill brokers, and hence styled brokers' bills. The government securities are the more permanent of these investments. The amount will seldom vary. It is not deemed creditable for a bank to speculate in the funds, or to buy and sell stock frequently, with a view of making a profit by the difference of price ; hence a banker sells his government securities only in a season of pressure, as a means of precaution, or in order to meet urgent demands. On other occasions, he will, when necessary, reduce his short loans or brokers' bills. These form his fluctuating investments. In seasons when money is abundant his deposits will increase, and perchance, at the same time, the demand of his cus-

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tomers for loans or discounts will diminish. His surplus funds will thus increase. But these temporary surplus funds he will on no account invest in government securities, as his deposits will be certainly, and perhaps suddenly, reduced, and he might have to realize his government securities at a loss. He will in this case increase his loans to brokers, and his brokers' bills. And though he will get as much interest as he can, he will take a very low interest rather than keep the money unproductive in his till, or invest it in a more permanent form. We will now take a short review of the different kinds of investment we have mentioned. The three grand points for consideration are, convertibility, exemption from loss, and a good rate of interest. But first we will notice those circumstances which regulate the amount of cash to be kept in the till.

The amount of money which a banker will keep in his till depends upon circumstances. First, the amount of his deposits. It is natural to suppose that when his deposits are large he will keep more money to meet them than when his deposits are small. Secondly, the amount of his daily payments. These will not at all times correspond with the amount of the deposits, for some accounts are more *operative* than others. On commercial accounts, for instance, the payments will be much heavier in proportion to the average balance, than on accounts which are not commercial. The city bankers pay much larger sums every day, in proportion to the amount of their deposits, than the bankers at the West end. Thirdly, if a banker issues notes, he will keep a less amount of other money in his till. The popular opinion is, that he keeps more, as he has to provide payment for his notes as well as his deposits. This is true in seasons of pressure. But in ordinary times he keeps less, as he pays the cheques drawn on account of his deposits with his notes, and these notes often get into the hands of another banker, with whom he settles by a draft on London. His reserve to meet his notes is kept, not in his own till, but in London, where it probably yields him interest. Indeed, when his deposits are withdrawn in large amounts, they are more usually withdrawn by a draft on London than in any other way. Fourthly, the number of the branches. If a bank has many branches, the total amount of cash kept in the tills of the head office and all the branches put together, will be considerably more than would be required if the whole of the business were collected into one place. In the case of a run, the difference is considerable, as every point open to attack must be well fortified. The stoppage of one branch, even for a short time, would bring discredit upon the whole establishment. Fifthly, in London the amount of notes to be kept in the till will be effected by the privilege of clearing. Those bankers that "clear," can pay bills and cheques upon them by the bills and cheques they have upon other bankers. Those banks that do not clear, must pay all the bills and cheques upon them in bank-notes, before they receive payment of the bills and cheques they have upon other bankers. Hence they must lock up every night with a larger amount of cash in their vaults.

We need hardly say, that with every banker the amount in the till will fluctuate from day to day. Though a banker has a certain average amount in his own mind, below or above which he does not swerve very

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widely, yet the cash-book will seldom be exactly this amount. Sometimes he will strengthen his till, in the prospect of large payments that may come upon him suddenly. At other times he will run his till low for a day or two, in expectation of large sums that will shortly be due to him. During the day, too, either the receipts or the payments may be heavier than he expected, and hence, now and then, the cashier reports to the chief clerk, or to the banker, the state of the till, in order that, if necessary, it may be replenished. The temperament of a banker, too, has some effect in this case. Some bankers are so cautious that they will "lock up" with a large amount of cash; others are so anxious to make profit, that they will keep their cash very low. The state of the money market will also influence the tills of the bankers. When money is abundant, a banker will lock up with more money than he wants, because he cannot employ his funds. When money is so scarce as to betoken a pressure, he will also lock up strong, so as to be prepared for any emergency. In fact, there can be no general rule for regulating the amount of the till. Every banker must be guided by the experience of his own bank. The directors of the bank of England consider that their reserve in bank-notes and gold should be equal to about one third of their deposits. From the accounts published by some of the London joint-stock banks, it would appear that the "cash in hand" is equal to about one fifth or one sixth of their liabilities. Even this, we conjecture, is a higher proportion than that which is generally kept by London bankers, especially by those who settle their accounts with each other at the clearing house.

To resume: After a banker has furnished his till, and supplied his customers with such loans and discounts as they may require, he has a surplus of cash. This surplus may be considered as being divided into two parts, — though it is never actually so divided, — the permanent surplus, which the banker is not likely to require, except in seasons of extreme pressure, and the temporary surplus arising from fluctuations in the deposits. We shall now notice those modes of investment to which we have referred.

With regard to government securities, we have high authority from the testimony of practical bankers. The following are quotations given before the Joint-stock Bank Committee, in the year 1836, by the late Vincent Stuckey, Esq., the founder of Stuckey's Banking Company, in Somersetshire, and James Marshall, Esq., the retired secretary of the Provincial Bank of Ireland.

Mr. V. Stuckey: —

"What is your reason for keeping so large a sum in Government stock? — I have always found from my experience, except two days in my life, that I could get money more easily upon those securities than any other.

"Is it easier, in times of emergency, to obtain money on government stock than on good mercantile bills? — I have always found it so.

"You do not concur with any witnesses who state that they have found good negotiable bills more easy to obtain money upon than government stock? — No; I have never found that with a good bill; even of the house of Baring, I could get money more easily than on government stock.

"Do you consider that, generally speaking, in London the rate of interest at which you borrow money on exchequer bills and stock is notoriously lower than that at

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which you borrow on bills of exchange? — Yes, it is lower, and for that reason we generally adopt it."

Mr. James Marshall : —

"Will you inform the Committee whether it is the usage of the Provincial Bank to invest any portion of its funds in the public securities? — It has been its uniform practice so to do.

"By public securities, what do you understand? — The Consols, for instance; there are various kinds of government stock; exchequer bills and Bank of England stock are generally considered as a public sort of security.

"Do you hold stock in London only, or in Dublin as well as in London? — In Dublin, but to a limited amount, because it is not easily convertible there.

"On what ground is it that it is not easily convertible in Dublin? — From the limited nature of the market as compared with London; we could not sell even an immaterial sum without lowering considerably the price.

"Have there not been at various times, from various causes, runs on the Provincial Bank, which rendered it necessary to supply large amounts of specie to that country? — There have repeatedly.

"Do you consider, from your experience, that it would have been competent to the bank to have maintained its full security, with satisfaction to the directors, if they had not been possessed of very considerable funded property in this country? — Certainly not; speaking of the last run that happened especially, I must say that that differed from any former run in this respect.

"You were conversant with the management of the Scotch banks prior to your connection with the Provincial Bank? — Yes.

"Is it not the usage of all the Scotch banks in like manner to maintain a very considerable portion of their funds as invested in the government securities? — I believe the practice with all is generally so, but I can speak particularly to that of the three oldest banks, — as they are commonly called, the three chartered banks. The Bank of Scotland was erected by act of Parliament, the Royal Bank of Scotland and the British Linen Company are erected by charter, but have been recognized in the same way, so that there are three public banks in distinction to any of the subsequently-formed banks. I can state, from personal knowledge, that these banks have had always a very large sum indeed invested in the funded property of the kingdom.

"Do you consider it would be a safe system of banking, if the capital of the bank was altogether invested in commercial bills? — Certainly not."

Of the various kinds of government stock, consols are the best, as there is a more ready market for this kind of stock, and money can usually be borrowed on them until the next account day; so that, if a banker has only a temporary demand for money, he may thus obtain it at a moderate interest, when, by selling his stock at that time, he might sustain loss. The Bank of England has recourse, sometimes, to this mode of strengthening her reserve. Sometimes, too, a banker may make a profit by lending his consols. At the monthly settlements, among the brokers, stock is sometimes in demand, and money may be obtained upon consols, until the next settling, without paying any interest; and the banker may employ the money in the mean time. As, however, the rate of interest is usually low in such seasons, his profit will rarely be great.

It is not advisable, however, that all the stock a banker holds should consist of consols. For a month before the payment of the dividends in January and July, this stock is shut, and during those times he can neither sell his stock nor borrow money upon it. This may be inconvenient, and he can only avoid this inconvenience by selling or lending his consols, just before the shutting, on the best terms he can. To avoid either of these alternatives, it is better he should divide his stock, and hold half the amount in consols, and half in reduced 3, or in the 3½ per cents.

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The dividends on these latter stocks are payable in April and October, so that by this means the banker will always hold an open stock: when consols are shut, the reduced 3 and the $3\frac{1}{4}$ per cents. are open, and *vice versa*. There are no time bargains in the reduced 3 per cents., or in the $3\frac{1}{4}$ per cents; but in ordinary times money can be borrowed upon them at the market rate of interest. In seasons of pressure these are not so salable as consols. Bank stock, India stock, and long annuities, not being readily convertible, are not generally good investments for bankers.

Some bankers avoid all government stock, and give a preference to exchequer bills. They have some advantages. As the government must pay the amount demanded in March or June, when they become due, there can be no loss beyond the amount of the premium at which they were purchased. A banker, too, can borrow money upon them quietly and secretly. A transfer of stock is always known, and, if for a large amount, will, when money is scarce, excite notice, and give the impression that the banker is compelled to realize some of his securities, to meet demands made upon him by his depositors. But a banker can hand his exchequer bills to a stock-broker, who will bring him the money, and the party who has granted the loan will know nothing about the party for whom it was required. On the other hand, there are some disadvantages. Almost every change in the market value of money affects the price of exchequer bills, and whenever money becomes abundant, the government are very apt to reduce the rate of interest much below that which can be obtained from consols. But a greater objection is, that, even in ordinary times, they are hardly salable in large amounts. There are not now so many exchequer-bill jobbers as formerly, and hence these bills are not so readily salable. On this account, the Bank of England, who were formerly large holders of exchequer bills, have changed their system, and are now holders of stock. The city bankers, too, prefer placing their money with the bill-brokers, to investing it in exchequer bills. But they are still a favorite mode of investment with bankers at the West end.

East India bonds yield a higher interest than exchequer bills, and the interest cannot be reduced till after twelve months' notice from the East India Company. But they are by no means so salable. Money, however, may generally be borrowed upon them; and the loans of the Bank of England are always announced to be granted on "exchequer bills, India bonds, and other approved securities."

Bonds of corporations, or of public companies, are by no means proper investments for a banker, except to a very moderate amount, and when they have a short time to run. They may, however, be taken as security for temporary advances to respectable customers.

Good commercial bills, of short dates, have this advantage over government stock or exchequer bills, that a banker is sure to receive back the same amount of money which he advanced. He can calculate, too, upon the time the money will be received, and make his arrangements accordingly. And if, unexpectedly, he should want the money sooner, the bills can, in ordinary times, be re-discounted in the money market. Another advantage is, that he is able to avail himself of any advance in the current rate of interest. He will get no higher dividend from his investment in

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government stock, should money afterwards become ever so valuable. But with regard to bills, as they fall due he will receive a higher rate of discount with the new bills he may take, and thus, as the market rate of interest advances, his profits will increase.

The bankers of Lancashire usually keep the whole of their reserves in bills of exchange. If they have a "good bill case," that is, a large amount of good bills in their case, they think themselves prepared to meet any emergency. Their objection to government securities is founded, first, upon the low rate of interest which they yield; and, secondly, the possibility of loss, from fluctuations in price. They contend, too, that good bills of exchange are more convertible than even exchequer bills; and, even if not convertible, the money comes back as the bills fall due, and thus the reserve is constantly replenished. The following evidence was given before the Committee on Banks of Issue, in the year 1841, by Mr. Paul Moon James, the Manager of the Manchester and Salford Bank:—

"Do you mean to say that no portion of the capital of your bank is invested in any other security than bills of exchange?—At the present time it is not. In the office, at all times, we have a larger amount than the liabilities of the bank in good bills of exchange. They are coming due every day, and are therefore considered a very eligible investment. It is advantageous to a bank when it is in a position to get that kind of bills.

"Do you consider that bills of exchange may safely be relied upon, as affording the means by which to obtain money whenever you want it?—After a very long experience, I consider that they may be safely relied upon; they have never failed.

"Did you never know them to fail?—I have known exchequer bills to fail, but I have never known bills of exchange to fail. I am alluding to the panic of 1825. I could not sell exchequer bills for several hours at that time.

"You could discount bills?—At that time money was obtained upon bills on the same day on which I could not get money for exchequer bills; and having paid a high premium for exchequer bills, and met with great loss, I have rather an objection to hold them.

"Do you mean to say, that you recollect a day upon which you could obtain money upon bills of exchange, and could not obtain money upon exchequer bills?—I do."

Some of the Scotch bankers, too, seem to be favorable to investments in commercial bills. Mr. Anderson, the general manager of the Union Bank of Scotland, gave the following evidence before the Committee on Banks of Issue, in 1841:—

"Do you consider, in fact, that the holding of a reserve in government securities, gold, and Bank of England notes, independently of the ordinary daily operations of your business, is, or is not essential to the perfect safety of a bank?—I do not think that it is quite essential that they should be government securities. Available securities I should think quite essential; but then comes the question, What is available?

"Are you of opinion that bills of exchange are a proper description of reserve, to be held independently of the other species of reserves that have been mentioned?—I should think so.

"You think that bills of exchange may safely be relied upon at all times?—We have Mr. Gurney's authority for saying so.

"Is there no essential difference between keeping exchequer bills and stock, and keeping bills of exchange as reserves?—If the bills of exchange are perfectly well secured, I should think not, so far as the safety of the bank is concerned."

The authority of Mr. Samuel Gurney, from his high standing in the city, is so constantly referred to upon this subject, that we copy his evi-

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dence. It was given before the Committee on Joint-stock Banks, in the year 1836; previous, of course, to the passing of the act of 1844.

"Would not the result from that opinion be, that a properly conducted establishment, whether a private or a joint-stock bank, should have some government securities or exchequer bills on which always to rely as a resource in a moment of such emergency? — Experience has shown that it is not needful; bills of exchange are quite as good a security to hold in time of difficulty as exchequer bills or stock; in most respects very much better.

"Cannot you conceive a state of things in the money market — a state of mercantile discredit, for instance — when it might be possible to procure money on government securities, when it could not be procured on private security in the shape of bills? — Such difficulty may possibly exist under very peculiar circumstances; but I repeat my opinion, that bills of exchange have proved themselves to be a better investment for bankers than stock or exchequer bills.

"It is quite intelligible why, in ordinary times, bills of exchange should be a preferable investment for money, inasmuch as there is no risk of loss by variation of premium in the purchase and resale; but would you wish the committee to suppose that in the case supposed by the question, of a great degree of mercantile discredit and doubt, an amount of exchequer bills would not be a more certain security on which to raise money than the bills of private merchants? — That is a difficult question to answer; I doubt it.

"Supposing a period of difficulty to arise, and two country bankers came up to London, one who could exhibit government stock to the extent of £25,000, and £25,000 in bills of exchange, and the other banker exhibiting £50,000 in bills of exchange only, which do you think would have the best means of procuring accommodation in the London market to pay his engagement? — My apprehension is, that they would both get their supplies upon any particular emergency; it is my judgment, that to a banker a good supply of bills of exchange of first-rate character is a better investment for his funds, for which he is liable to be called upon on demand, than exchequer bills or any government security."

A London banker never considers as a part of his reserve the bills he has discounted for his customers. Nothing could damage his credit more than any attempt to rediscount these bills. During the war, the London bankers had discount accounts with the Bank of England; and during the panic of 1825, it is well known they discounted largely with that establishment. But since that period they have not done so, and their indorsements are never seen in the money market. The practice is now more general of lodging money at call with the large money dealers. And it is in this way that the London bankers make provision for any sudden demand. It is rarely, however, that any large demand comes so suddenly as to occasion any inconvenience. And it may be observed, that such bankers as are members of the Clearing-house have the whole day to make preparation, — one of the circumstances which enables them to lock up at night with a smaller amount of cash.

In the morning the banker looks at his "Cash-book," and observes the amount with which he "locked up" the preceding night. He then looks at the "Diary," which contains his receipts and payments for that day, as far as he is then advised. He then opens the letters, and notices the remittances they contain, and the payments he is instructed to make. He will learn from these items whether he "wants money," or has "money to spare." If he wants money, he will "take in" any loans that may be falling due that day, or he may "call in" any loans he may have out on demand, or he may go further, and borrow money for a few days on

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stock or exchequer bills. Should he have money to spare, he will, per adventure, discount brokers' bills, or lodge money on demand with the bill-brokers, or lend it for fixed periods upon stock or exchequer bills. There are some bill-brokers who usually make their rounds every morning, first calling on the parties who supply them with bills, and then calling on the bankers who supply them with money. The stockbrokers, too, will call after "the market is open," to inform the banker how "things are going" on the Stock Exchange, what operations are taking place, and whether money is abundant or scarce "in the house"; also what rumors are afloat that are likely to affect the price of the funds. It is thus that a banker regulates his investments, and finds employment for his surplus funds.

In our opinion, it is best for a banker not to adopt exclusively any one of the investments we have noticed, but to distribute his funds among them all. We have seen that practical bankers of high standing have been in favor of government securities, as being at all times convertible. The objection on the part of others has been, that the value of these securities very much fluctuates, and as their realization will be required only in seasons of pressure when the funds are low, it is sure to be attended with loss. On the other hand, it may be stated, with regard to "loans on demand," that the recent failures of bill-brokers have shown that the "demand" may not always be readily met. And with regard to "brokers' bills," the numerous failures among houses of the first standing have proved that great losses and most inconvenient "locks-up" may occasionally take place from such securities. Without condemning other modes of investment, we are strongly inclined to favor government securities, though fully conscious of the losses they may occasionally produce. There is one consideration that must be taken into account: a bank that has large surplus funds, if it makes no investments in government securities, will be strongly tempted to invest their funds elsewhere in other securities that may not be so convertible. It is true that more interest may for a time be obtained, but ultimately the bank may, though in a state of perfect solvency, be compelled to stop payment from being unable to realize its investments.

Another advantage of a large investment in government securities is, that the bank, by the publication of its balance-sheet, has always the means of showing to its depositors that a large portion of its deposits is at all times amply secured. The Bank of England states the amount of their "government securities" distinct from the "other securities." It may so be that the "other securities" are as good as the government securities, and perhaps more profitable, but the public do not know that to be the case; and were all the investments in "other securities," they might not feel the same degree of confidence as to the prompt repayment of their deposits. The same principle applies to other banks. And it may reasonably be supposed that between two banks in similar circumstances as to other respects, depositors would rather lodge their money in a bank which had a large amount of government securities, than in one which had none.


As we have referred in this section to some of the operations of the

The Stock Exchange.

Stock Exchange, this may be a proper place to discuss the nature of these transactions, so far at least as concerns bankers.

The reader is of course aware that the "Stocks," or the "Funds," or by whatever other name they may be called, are debts due from the nation to those persons whose names are entered on the bank books. The man who holds £ 100 consols is a creditor to the nation for £ 100, for which he receives £ 3 per annum; and the price of consols is the amount of the money for which he is willing to transfer this debt from himself to another person. Now, if this man knows another who is willing to give him, say £ 90 for this £ 100 consols, they can go to the bank, and the seller, being properly identified, will transfer this £ 100 consols into the name of the person to whom he has sold it. His account is then closed in the bank books, and a new account is open in the name of the buyer; for every holder of stock has an account in the bank ledger, in the same way as bankers and merchants open ledger accounts for their customers. The seller of the stock will also give a receipt to the buyer for the money in the following form:—

Consolidated £ 3 per Cent. Annuities _____

<i>Dividends due</i>	RECEIVED this	day of	<p> The Proprietors, to protect themselves from FRAUD, are recommended to ACCEPT by themselves or their Attornies, all TRANSFERS made to them.</p>
Jan. 5th,	184	of	
July 5th,			
and are usually	the sum of		
paid a few days			
after.	being the Consideration for		
<i>Transfer Days,</i>			
Tuesday,	Interest or Share in the Joint Stock of <i>Three per Cent. Annuities</i> , erected by an Act of Parliament of the 25th Year of the Reign of King GEORGE II., entitled, <i>An Act for converting the several Annuities therein mentioned, into several Joint Stocks of Annuities, transferable at the BANK of ENGLAND, to be charged on the Sinking Fund; and by several subsequent Acts, together with the Proportional Annuity at £ 3 per Cent. per Annum, attending the same, by</i>		£ s. d.
Wednesday,			
Thursday,			
Friday.			
<i>Holidays excepted.</i>			
	this day transferred to the said		
	Witness	Hand	
	Witness		

But parties do not usually treat with each other in this way. A broker is employed either to buy or to sell, as the case may be. The stock-brokers are an association consisting of about six hundred persons, who meet together in a building in Capel Court, Bartholomew Lane, close to the Bank. Each broker before admission must find three securities for

£ 300 each, which sum is applied to meet any claims the other members of the "House" may have upon him during the first two years. The suretyship then ceases. The subscription paid by each member is ten guineas per annum. The House is governed by a committee of thirty persons chosen from the members.

But although all the "members of the House" are called stock-brokers by the public, yet within the House they are divided into two classes, brokers and jobbers. A broker, as the name implies, is an agent who buys or sells for his customers out of the House, and he charges them a commission upon the amount of the stock. A stock-jobber is a stock merchant; but he does not deal with the public; he deals only with the brokers; and he is at all times ready either to buy or to sell. The price at which he sells is $\frac{1}{8}$ more than the price at which he buys. If one broker has an order from his customer to buy £ 100 consols, and another broker has an order to sell £ 100 consols, these two brokers do not deal together, but both go to a jobber. One will sell his consols to the jobber, say at 90, and the other will buy his consols from the jobber at 90 $\frac{1}{8}$. Hence the difference between the buying and the selling price of consols is always $\frac{1}{8}$, and thus in the newspapers the price is quoted in this way, 90 to 90 $\frac{1}{8}$.

A banker is, of course, one of the public, and when he wants to buy or to sell stock, he gives instructions to his broker, and the process is as we have now described.

Were there no jobbers, a broker would not easily find at all times another broker who had occasion to sell the same amount of stock which he wished to buy, and he would have a difficulty in buying or selling small amounts. But there is no difficulty with the jobbers. The jobbers will not only buy and sell stock on the same day, but they will buy stock on one day, and agree to sell it at a future day, or *vice versâ*. These future days are called the settling days, being the days on which the members of the House settle their accounts. They are fixed by the Committee of the Stock Exchange, and they now occur about once a month. Now, if a banker wants a sum of money for a short time, either to pay off a deposit or to make an advance to a customer, he will direct his stock-broker to sell, say £ 50,000 consols "for money," and buy them "for time," that is, against the next "settling day," or, as it is sometimes called, the next "account day." On the other hand, if a banker has money he wishes to employ for a short time, he will reverse the operation, and desire his broker to buy consols for money and sell them for time. He thus gets interest for his money, according to the difference of price between consols for time and consols for money. Generally, the price for time is higher than the price for money; and the difference between these two prices is called the "Continuation." Supposing that the next settling day is a month distant, and the continuation is one eighth per cent., that amounts to twelve eighths, or three per cent. per annum. The continuation will vary according to the near approach of the settling day, according to the abundance of money and the market rate of interest, and according to the abundance or scarcity of stock. The last cause is not so readily understood by the public, and we will therefore explain it. The

Public Debt.

stock-jobbers, as we have said, are stock merchants. Of course they are large holders of stock; it is their capital, on which they trade. But however large may be the sum they hold, they often agree to sell on the next settling day a much larger sum, expecting that in the mean time they shall buy a large sum, and thus be able to set off one against the other. But sometimes, as the settling day approaches, they find this is not the case, and they are consequently under an engagement to "deliver," that is, sell, more stock than they hold. What can they do now? They will try to get stock from those who have it, by agreeing to buy it of them *now*, and selling it at the ensuing account day, a month hence, at the same price; thus abolishing the "continuation." When that is the case, a banker's broker will go to the banker and say, "If you like to lend your consols, you can get money for nothing till the next account day." The banker replies, "Well, I don't know that I can make much interest of the money just now; but, as I can lose nothing, you may lend them." Thus the jobbers get their stock, and complete their engagements. But sometimes the jobbers are obliged to go further, and even to offer a premium to parties who will lend their consols. This premium is called "Backadation"; it is just the reverse of "continuation," and implies that the time price of stock is less than the money price.

We have thus described the legitimate operations of the Stock Exchange, so far as it may be necessary to explain the transactions of bankers in the employment of their surplus funds. Those operations called "Gambling in the Funds," and the mode in which the brokers and jobbers settle their accounts, we shall endeavour to describe when we come to speak of the Clearing-house. We will only add here the name and amount of each of the government stocks and annuities, as they stood on the 5th of January, 1848.

Capital Stock of the Unredeemed Debt of the United Kingdom, on 5th January, 1848.

GREAT BRITAIN.			
	£	s.	d.
Debt due to the South Sea Company, at 3 per cent.,	3,662,784	8	6½
Old South Sea Annuities, ditto,	3,195,160	17	9
New South Sea Annuities, ditto,	2,195,867	16	9
South Sea Annuities, 1751, ditto,	500,780	11	9
Debt due to the Bank of England, ditto,	11,015,100	0	0
Bank Annuities, 1726, ditto,	750,404	18	6
Consolidated Annuities, ditto,	371,824,981	15	11½
Reduced Annuities, ditto,	121,924,219	8	7
Total at 3 per cent.,	515,069,299	17	9½
Annuities at 3½ per cent.,	215,700,549	5	1
New 5 per cent. Annuities,	430,076	3	2
Total, Great Britain,	731,199,925	6	0½
IRELAND.			
Irish Consolidated Annuities, at 3 per cent.,	6,194,874	15	2
Irish Reduced Annuities, ditto,	128,295	16	9
Annuities at 3½ per cent.,	32,244,312	10	9
Debt due to the Bank of Ireland, at 3½ per cent.,	2,630,769	4	8
New 5 per cent. Annuities,	3,673	11	2
Total, United Kingdom,	£ 772,401,851	4	6½

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The ANNUAL CHARGE ON the NATIONAL DEBT was then as follows:—

	GREAT BRITAIN.			IRELAND.		
	£	s.	d.	£	s.	d.
Interest on unredeemed debt, . . .	22,483,850	13	1½	1,329,895	17	6
Annuities of all kinds falling due, . . .	3,685,696	6	5	160,394	2	1
	<hr/>			<hr/>		
Management,	26,169,546	19	6½	1,490,289	19	7
	<hr/>			<hr/>		
Total,	26,263,373	11	4½	1,490,289	19	7
	<hr/>			<hr/>		
	Grand Total, . . . £27,753,663			10 11½		

This is exclusive of £71,971 2s. 9½d., the annual charge on stock and annuities of various kinds, standing in the names of the Commissioners, on account of stock unclaimed for ten years and upwards, and of unclaimed dividends, and also on account of donations and bequests, but which sum is not paid or provided for.

SECTION VII.—THE ADMINISTRATION OF A BANK DURING A SEASON OF PRESSURE.

A PRESSURE on the money market may be defined a difficulty of getting money in the London market, either by way of discounting bills, or of loans upon government securities. This difficulty is usually accompanied by an unfavorable course of exchange, a contraction of the circulation of the Bank of England, and a high rate of interest. These three circumstances have the relation to each other of cause and effect. The unfavorable course of exchange induces the Bank of England to contract her circulation; and the contraction of the circulation, by rendering money more scarce, increases its value, and leads to an advanced rate of interest. The removal of the pressure is in the same order,—the foreign exchanges become favorable, the Bank of England then extends her circulation, money becomes more abundant, and the rate of interest falls. The degree to which the exchanges are unfavorable is indicated by the stock of gold in the Bank of England; and when this is at its lowest amount the pressure may be considered to have attained its extreme point; for as the amount of gold increases, the bank will extend her circulation, and the pressure will subside. (*An Inquiry into the Causes of the Pressure on the Money Market during the year 1839*, by J. W. Gilbart.)

If we take a review of all the recent pressures on the money market, we shall find they have always been preceded by the following circumstances. First, by abundance of money; secondly, by a low rate of interest; thirdly, by some species of speculative investments. The principal pressures that have occurred of late years, have been those of 1825, 1836, 1839, and 1847.

The following is Mr. Horsley Palmer's opinion of the causes of the pressure of 1825, as stated to the Bank Committee of 1832:—

“Will you state to the committee what, in your opinion, was the nature and the march of the crisis in 1825?—I have always considered that the first step towards the

Season of Pressure.

excitement was the reduction of the interest upon the government securities. The first movement in that respect was, I think, upon £135,000,000 of five per cents., which took place in 1823. In the subsequent year, 1824, followed the reduction of £80,000,000 of four per cents. I have always considered that reduction of interests, one fifth in one case and one eighth in the other, to have created the feverish feeling in the minds of the public at large, which prompted almost every body to entertain any proposition for investment, however absurd, which was tendered. The excitement of that period was further promoted by the acknowledgment of South American republics by this country, and the inducements held out for engaging in mining operations, and loans to those governments, in which all classes of the community in England seem to have partaken almost simultaneously. With those speculations arose general speculation in commercial produce, which had an effect of disturbing the relative values between this and other countries, and creating an unfavorable foreign exchange, which continued from October, 1824, to November, 1825, causing a very considerable export of bullion from the bank, — about seven millions and a half. Commercial speculations had induced some bankers, one particularly, to invest money in securities not strictly convertible, to a larger extent than was prudent; they were also largely connected with country bankers. I allude to the house of Messrs. Pole & Co.; a house originally possessed of very great property, in the persons of the partners, but which fell with the circumstances of the times. The failure of that banking-house was the first decisive check to commercial and banking credit, and brought at once a vast number of country bankers, which were in correspondence with it, into difficulties. That discredit was followed by a general discredit throughout London and the interior." — p. 47.

With regard to the pressure of 1836, there was in the beginning of that year no appearance of distress; but, on the contrary, every symptom of prosperity, attended by its usual concomitant, a readiness to engage in speculative undertakings.

The following description of this period is taken from the speech of Mr. Clay, on introducing his motion respecting Joint-stock Banks, May 12, 1836:—

"To what extent the operations of the joint-stock banks may have contributed to create the present state of excitement in the commercial world, must, of course, be mere matter of conjecture. That they have had some considerable influence is probable, from the fact that the excitement and rage for speculation is greatest in those parts of the kingdom where the operations of those establishments have been most active. London has been comparatively unmoved, but Liverpool and Manchester have witnessed a mushroom growth of schemes, not exceeded by the memorable year 1825. I hold in my hand a list of seventy contemplated companies for every species of undertaking, which have appeared in the Liverpool and Manchester papers within the last three months. This list was made a fortnight or three weeks since, and might probably now be considerably extended. It is impossible also, I think, not to suspect that the facility of credit, and consequent encouragement to speculation, to which I have alluded, cannot have been without its effect in producing the great increase of price in almost all the chief articles of consumption and raw materials of our manufactures. That increase has been enormous, — not less than from twenty to fifty, and even one hundred per cent. in many of the chief articles of produce, of consumption, and materials of our manufactures."

These appearances continued with little alteration until the month of July, when the Bank of England raised the rate of discount to four and a half per cent. It then became known that there had been a demand upon the bank for gold from the preceding April, and this measure was adopted by the bank as a means of rendering the foreign exchanges more favorable. This being found ineffectual, the bank in September raised the rate of discount to five per cent. Besides raising the rate of interest, the bank adopted other measures of increasing the value of money. A large

amount of American bills upon first-rate houses had been offered for discount and rejected. A high degree of alarm was immediately spread throughout the community. The dread of a panic similar to that of 1825 almost universally prevailed. Those who had money were unwilling to part with it; trade became suddenly stagnant; the prices of all commodities fell considerably; and numbers of commercial houses, chiefly of the second class, suspended payment. Many railway and other projects now fell into oblivion.

The alarm that existed was kept up by the monthly accounts of the bullion in the Bank of England. The public returns showed a gradual decline from April, 1836, to February, 1837. It was therefore supposed, that the Bank of England would be under the necessity, for her own safety, of still further contracting her issues, and thus increasing the existing pressure. This apprehension caused all persons who had money to retain it in their possession, and bankers and others withheld accommodation they would otherwise have been disposed to grant.

This state of alarm was considerably augmented by the publication of the Report of the Secret Committee of the House of Commons upon Joint-stock Banks. This committee had been appointed on the motion of Mr. Clay, the Member for the Tower Hamlets, whose speech on the occasion might be termed a bill of indictment. The joint-stock banks had rapidly increased; they had issued small shares; they had large nominal capitals; they had circulated an excessive amount of notes; they had promoted speculation. These were the charges brought against them; and they had greater weight, from being advanced by a member who was known to be friendly to joint-stock banking. The report of the committee appeared to sustain all Mr. Clay's accusations. This report was highly creditable to the talents and industry of the committee, but marked by a decided hostility of tone. While it enumerated all the actual or possible imperfections of the joint-stock banks, it ascribed to them scarcely a single excellence. At the same time, the committee deferred to the succeeding session the proposal of any measures for their improvement; thus the public were led to suppose, that in the following session some astringent measures would be adopted with reference to joint-stock banks, but what they would be none could conjecture.

Had the report appeared at any other period it might possibly have done good; but as its appearance was contemporaneous with a pressure on the money market, and a high state of alarm, it unquestionably tended to weaken public confidence at a time when it required to be strengthened. Persons who were unfriendly to joint-stock banks seized the opportunity of dispraising them, and believed, or pretended to believe, that the banks were unsound, and would certainly stop payment. Others, who were friendly, were apprehensive that the banks, being still in their infancy, would be found too weak to withstand the storm now raised against them. But though this alarm began with respect to joint-stock banks it did not end there. It was soon foreseen that if a few joint-stock banks were to stop payment, the private banks in their neighbourhood would be put to a severe trial; and if the banks should even be compelled to withhold their usual advances to their customers, the credit of individuals must suffer.

Season of Pressure.

Hence the private bankers and the merchants, as well as the joint-stock banks, made preparations to meet any event that might occur, and by thus increasing the pressure on the London money market occasioned still further apprehensions.

The alarm was augmented by the stoppage of the Agricultural and Commercial Bank of Ireland in the month of November, and the demand for gold which that stoppage occasioned in Ireland. The joint-stock banks of England now became subject to increased suspicions; the accommodation they had been accustomed to obtain by the rediscount of their bills in the London market was considerably restricted; and in the beginning of December, the Northern and Central Bank at Manchester, a bank having a paid-up capital of £ 800,000, with above 1,200 partners, and forty branches, applied for assistance to the Bank of England. This was afforded upon condition, in the first instance, that they should wind up all their branches except that at Liverpool; and afterwards further assistance was granted, upon condition they should discontinue business after February, 1837. Soon afterwards, the old and respectable London banking-house of Messrs. Esdaile & Co. received assistance upon similar terms.

The pressure which existed in England rapidly extended to America. A large amount of American securities, consisting chiefly of bonds of the respective States, had been remitted to the agency houses in England. This circumstance, in connection with the exportation of gold to America, attracted the notice of the Bank of England. A large amount of bills drawn from America upon first-rate London houses was rejected. In America the pressure became severe; money was wanted to remit to England to meet the drafts that had been drawn upon England, either upon credit or against securities that could not now be sold. The rate of discount at New York rose to two, and even to three per cent. per month.

From the pressure upon the money market, and from the great fall in the price of American produce, the cotton and other commodities sent from America to meet drafts upon the English agents could not be sold except at a ruinous loss. And other remittances not having arrived, several houses in the American trade, who were said to have given extensive credit to parties in America, applied for assistance to the Bank of England. (*The History of Banking in America; with an Inquiry how far the Banking Institutions of America are adapted to this Country; with a Review of the Causes of the recent Pressure on the Money Market.* By J. W. Gilbart. 1837.)

Such was the character of the pressure of 1836. We next proceed to the pressure of 1839. The pressure of 1836 may be said to have commenced from the month of May in that year. From that month the stock of gold in the bank gradually and uniformly declined until February, 1837, when it reached its lowest point of depression. From this point it uniformly advanced: the lowest point of the circulation was in December, 1836, though even then it was not lower than it had been in the preceding January. The bank raised the rate of interest from four to four and a half per cent. in July, and to five per cent. in the following Sep-

tember. During the whole of the year 1837, the amount of gold in the Bank of England continued to increase; the bank extended her circulation, and after the payment of the July dividends, money became very abundant, and the market rate of interest experienced a considerable fall. The foreign exchanges continued to be favorable during the early part of 1838, and gold accumulated in the coffers of the Bank of England. In the spring of that year the directors of the Bank of England sent nearly a million of gold to America. Money became increasingly abundant, and the rate of interest fell. In February the bank reduced their rate of discount to four per cent., and the interest on the loans granted during the shutting of the funds was reduced in March to three and a half per cent. The low rate of interest caused large sums of money to be invested in American securities. Bonds of all kinds issued by the Bank of the United States, by the various States in the Union, and by numerous private undertakings, were poured upon the English market, and found eager purchasers. Several of the directors of the Bank of England, in their individual character as merchants, became agents for the distribution of these securities. About July the exchanges became unfavorable, and in the latter part of the year some symptoms of uneasiness were apparent in the money market; but as the stock of bullion in the Bank of England was considerable, and the directors granted their usual loans in December at three and a half per cent., public confidence was not shaken. In the beginning of the year 1839 the exchanges became increasingly unfavorable, and the monthly returns of the bank showed a gradual diminution in the stock of gold. The price of corn rose so high as to admit of foreign wheat at the lowest rate of duty. This occasioned a further demand for gold to be exported. The stock of gold in the Bank of England rapidly declined, until, in the month of October, it was no more than £2,525,000, while the liabilities of the bank upon notes amounted to £17,612,000, and upon deposits to £6,734,000. The bank directors were very anxious to stop this demand for gold. With this view they raised the rate of interest on May 16th to five per cent., on June 20th to five and a half per cent., and on August 1st to six per cent.; and they charged the same rate upon their short loans. They are supposed to have sold large amounts of government stock and exchequer bills, and on July 13th they announced that they were ready to receive proposals for the sale of the dead weight. None of the offers, however, met their approbation. Finding these measures not speedily effective, an arrangement was made with the Bank of France for a loan of £2,500,000. Messrs. Baring & Co drew bills on account of the Bank of England upon houses in Paris for this amount, which the Bank of France undertook to discount. The directors also determined to refuse to discount any bills drawn or indorsed by any private or joint-stock bank of issue. Notwithstanding these measures, the stock of gold in the bank continued to decrease until the 18th of October, when it reached the lowest point of depression. From this point it continued to advance, and the pressure began gradually, but slowly, to subside.

It may be useful to notice the differences between the pressure of 1836 and that of 1839. If we measure the intensity of the pressure by the difference between the largest and the lowest stock of gold in the

Season of Pressure.

Bank of England, the former pressure will range from £ 7,801,000 to £ 4,032,000, and the latter from £ 10,126,000 to £ 2,525,000. In the pressure of 1836, one joint-stock bank, a London private bank, two country private banks, three large American agency houses, and a great many respectable merchants, stopped payment. In the pressure of 1839, there was scarcely a failure until the month of December, and then only among the second class of traders. In the pressure of 1836, the prices of nearly all commodities fell considerably, and almost immediately. In the pressure of 1839, the prices of most commodities remained for a length of time nearly the same. In 1836, the Bank of England did not raise their rate of interest above five per cent. In 1839, the rate of interest upon both discounts and loans was raised to six per cent. In 1839, the bank gave notice that they were willing to sell the dead weight, and they made arrangements for borrowing £ 2,500,000 sterling from the Bank of France. In 1836, the bank adopted neither of these measures. In 1836, the Bank of England rejected all bills drawn or indorsed by joint-stock banks of issue. In 1839, they rejected also all bills drawn and indorsed by private banks of issue. (*An Inquiry into the Causes of the Pressure of 1839.*)

The consideration of the pressure of the year 1847 we shall postpone to the next section of our work.

From the statements we have made, it would appear that a season of pressure is always preceded by one of speculation; and hence it follows that a banker who wishes to be easy in a time of pressure must act wisely in the previous season of speculation. It requires no ordinary firmness to do this. To act wisely in a season of speculation is far more difficult than to act wisely in one of pressure. But unless a banker act wisely in the previous time of speculation, his wisdom will probably be of little avail when the pressure arrives.

While, therefore, money is still abundant, the public funds high, and other bankers liberal in accommodation, he should be doubly cautious against taking bills of a doubtful character, or making advances upon irregular securities. He should not suffer the desire of employing his funds, or the fear of offending his customers, to induce him to deviate from sound banking principles. He should also take this opportunity of calling up all dead or doubtful loans, and of getting rid of all weak customers. He should also, under any circumstances, avoid making advances for any length of time, and investments in securities that are not at all times convertible, or the price of which is likely to sustain a great fall on the occurrence of a pressure. The discount of first-rate commercial bills having a short time to run, or short loans on stock or other undeniable security, however low the interest received, seem to be the most safe and advantageous transactions.

When the aspect of affairs seems to threaten that money will be still more in demand, and the failure of a number of merchants and traders may consequently be apprehended, it behoves him to prepare for approaching events by avoiding all discounts of bills of an inferior class, and by keeping his funds in an available state. With a view to these objects, he will review all his loan and discount accounts, call up his loans of long standing, where it can be done without injury to the interest or reputation

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of his bank, avoid all overdrawn accounts, and reduce the amount of discounts on the inferior class of accounts. In performing these operations he will exercise due judgment and discretion, making proper distinctions between his customers, and reducing chiefly those bills which are of an unbusiness character, or which are drawn upon doubtful people, or upon parties that he knows nothing about; he will also mark particularly those accounts which require large discounts, but keep no corresponding balance to the credit of their current accounts.

As the pressure advances, he will find that there are three demands upon his funds. First, his customers will reduce their balances, and keep less money in his hands. Money lodged at interest will be taken away, because the parties can make higher interest elsewhere, or they will be tempted by the low price of stock to invest it in government securities. Secondly, he will have a greater demand for loans and discounts, not merely from weak people whom he might not care about refusing, but from persons of known wealth, whom it is his interest and his inclination to oblige. Thirdly, he will think it prudent to guard against sudden demands by keeping a larger amount of bank notes in his till. To meet all these demands, he will be compelled to realize some of his securities, and he will realize those first on which he will sustain no loss.

If a banker has money lying at demand with a bill-broker, he will now have occasion to call it in. If he has money lent at short periods at the Stock Exchange, he will, as he has occasion, take in the money as the loans fall due. If he has discounted brokers' bills, he will receive the amounts when due, and discount no more. Should these operations not be sufficient to meet the demands upon his funds, he will then sell his stock or exchequer bills, or borrow on them in the money market. A country banker who has kept his reserve in bills of exchange will be anxious to rediscount them, and will think himself lucky if he can do so readily and at a moderate rate of interest.

It will be useless for a banker to attempt to call up dead loans, or to reduce his discounts, after the pressure has commenced. He should have thought of these matters in the previous season of abundance. As he cannot get in any outstanding advances, he had better not ask for them, but merely charge the parties an increased rate of interest. If he demand the money, he will not get it, and he may give rise to a surmise that he is short of funds. This season of pressure is, however, a good opportunity for calling up advances, or getting rid of connections that he would, on other grounds, like to be without. The "scarcity of money," the "pressure on the money market," are capital reasons to assign for refusing applications which, even otherwise, he would refuse, and for calling up loans which, under any circumstances, he would like to see repaid.

During a pressure, a banker will have to give a great many refusals, and some discretion will be necessary in the form of giving these refusals. Let him refuse in what way he may at such a season, he will be sure to give offence. And the party refused will possibly publish the refusal, and, from motives of ignorance or malignity, represent the refusal as having arisen from want of means, and possibly may circulate a report that the banker is about to stop payment. Hence rumors about banks are always

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rife in seasons of pressure, and they add to the general want of confidence which then prevails.

During a pressure, a banker will have offers of new accounts to be transferred from other bankers, provided he will consent to make certain advances. Some caution must be exercised in this matter. It is quite possible that some perfectly safe parties, having large accounts, may be disposed to remove in consequence of their present bankers not being equal to the supply of their wants. In this case, the banker will be regulated by the value of the proposed account, and the extent of his own means. On the other hand, it is equally possible that weak people, to whom their present bank might not, in any case, have given advances, may use the "scarcity of money" as a pretext for making application to a new banker, stating their belief that their old banker was unable to meet their requirements. It behoves a banker to use much discretion in such a case, especially if it be a large account. If he errs at all, he should err on the side of caution.

It will rarely be wise for a banker in a season of pressure to attempt to get away the customers of other bankers by offering them greater accommodation. The best way of getting new connections is to treat well those that he has. It is better for a banker to employ his funds in supporting his old friends than in attempting to get new ones. If his funds are so ample that he can do both without inconvenience, very well. But caution is necessary in taking new accounts at this time, and he should be doubly cautious in making applications to parties. Unless he has the most ample and satisfactory information as to their circumstances, he had better wait until they apply to him. It would then devolve upon them to satisfy him that he would be justified in making the advances required.

During the pressure, a banker will find that some of his wealthier customers, who, when money was abundant, took their bills to be discounted by a bill-broker, because he would cash them at a lower rate, will come back, and expect to have discounts from their banker. This is no fault of the bill-brokers. People put money in their hands avowedly for temporary purposes. In seasons of abundance the bill-brokers are glutted with money. When the pressure commences this money is withdrawn. The consequence is, that in seasons of abundance the bill-brokers will discount at a lower rate than the bankers, and when money is scarce they discount at a higher rate, and in many cases not discount at all. Sharp-sighted people, who are acquainted with the London money market, will, when money is abundant, take all their first-rate bills to a bill-broker, and send to their banker all their inferior bills, which a bill-broker would not take. Now, if a banker has occasion to curtail his advances in seasons of pressure, he should begin with people of this sort. But if he has ample means, and the parties are wealthy, he may deem it worth his while to take their bills, charging a high rate of interest, and gently reminding them of their former delinquencies. Exhortations to good behaviour have always a greater effect when administered in seasons of affliction. And reproof at this time to a party who had thus wandered, may induce him to pursue in future a more righteous line of conduct.

During a pressure, a banker will find that some of his customers will

get into difficulties, and will apply to him for assistance. He will often be at a loss to decide whether he should or should not grant the assistance required. This hesitation will arise from his doubts as to the extent to which he can prudently rely upon the calculations and anticipations of his customer. The party states that he must immediately stop payment unless he has assistance; but he has abundance of property, and his difficulties arise only from not being able to realize it. If he has a certain sum he can then go on comfortably. The banker grants him this sum. After a while, he comes again, and states he must now stop unless he has a further sum. The banker hesitates, but ultimately gives him this further sum. He comes a third time, and states he has not yet got enough; and not being able to get more, he then stops, leaving the banker at best with a large lock-up, and probably with an ultimate loss.

During a pressure, those banks that allow interest on deposits will be asked for a higher rate of interest. It is quite right that those parties who have had deposits at the bank for some time, should receive a higher rate of interest, proportionate to the increased value of money. But it may be questioned whether it is worth while to receive further lodgments, during a pressure, at a high rate of interest, unless they are lodged for a fixed period. For, should the pressure increase, these sums are sure to be withdrawn, or else applications will be made for a higher rate of interest than the banker can prudently give. Nor must it be forgotten that it is not wise for a banker to give, during a panic, an extravagant rate of interest. Should he do so, he will give rise to an opinion that he is short of funds, and this may cause more deposits to be withdrawn than he would obtain from his high rate of interest.

During a pressure, a banker will pay considerable attention to the published returns of the Bank of England. The increase or diminution of the gold and silver in the issuing department will show the progress of the pressure. As these increase, money will become less scarce, the rate of interest will fall, and the pressure will subside. In this department, it is the progress of increase, or diminution, more than the actual amount, that should be the main object of attention. The banking department resembles any other bank. Its means are the paid-up capital, the real or surplus fund, the public deposits, the private deposits, and the seven-day bills. These means are employed in public securities, private securities, and cash in the till. Its ability to make advances, at any given time, depends on the amount of cash in the till. The diminution of this amount shows the increase of the pressure, and the banker will act accordingly.

As far as past experience goes, all panics or pressures have resulted in a subsequent abundance of money. It would be a grand thing for a banker if he could know beforehand at what precise point this change would take place. But this he cannot know, and he had better not speculate on the subject, but just follow the course of events as they occur. When, however, the point is fairly turned, he will act wisely in investing all his surplus funds in such convertible securities as are likely to advance in price, from the increasing low rate of interest. Exchequer bills are most likely to be the first affected, and then the public funds. He will, also, be more liberal in granting discounts, and other advances, and he

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will lower the rate of interest at which he takes deposits. At the same time he will be cautious in the bills he discounts. For, though money may be abundant, yet trade may be depressed, and the effects of the previous panic may be the failure of a great number of persons in the middle class of society. The banker will therefore be cautious in extending his discounts, except on bills of an undoubted character.

We will observe, lastly, that, in a season of pressure it is peculiarly necessary that a banker should pay regard to the state of his own health, and to the discipline of his own mind, so as to guard against any morbid or gloomy apprehensions with regard to the future. He should attempt to form a cool and dispassionate judgment as to the result of passing events; endeavouring so to arrange his own affairs as to be prepared for whatever may occur, but taking care not to increase the present evil by predicting greater calamities. If he suffer a feeling of despondency to get the mastery of his mind, he will be less able to cope with the difficulties of his position. He will then, probably, refuse reasonable assistance to even first-rate customers, realize securities unnecessarily at a heavy sacrifice, and keep in his till an amount of unemployed treasure excessively disproportionate to the extent of his liabilities. This will increase the pressure. Fear, too, is always contagious. A banker of this melancholy temperament will impart his apprehensions to others, and thus the panic will become more widely extended.

SECTION VIII.—THE ADMINISTRATION OF A BANK UNDER THE ACT OF 1844.

It would not be consistent with the practical character of this work to discuss, at great length, any theory of the currency. But the Act of 1844, though founded on a theory, was a practical measure, and has so important a bearing on the administration of banking affairs, that our work would be regarded as incomplete were the subject altogether omitted. We shall, however, endeavour to avoid any observations on its theory, and confine our remarks, as much as we can, to the operation of its practical enactments. In this part of our work it will be necessary to consider only those provisions of the Act which refer to the issue of notes by the Bank of England: those which refer to the country circulation will more properly come under review in the section upon Country Banks. It may also be proper to remark, that, in our judgment, the Act of 1819 has no necessary connection with the Act of 1844; nor would there be any inconsistency in advocating the one and not advocating the other. (*Commons*, 3,409.)

“The Act of 1844” is the 7 & 8 Vict. cap. 32, and is entitled, “An Act to Regulate the Issue of Bank Notes, and for giving to the Governor and Company of the Bank of England certain privileges for a limited period.” It enacts that, from and after the 31st August, 1844, the

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issue department of the Bank of England shall be separated from the Banking department; that the issuing department may issue notes to the extent of £14,000,000 upon securities set apart for that purpose, of which the debt of £11,015,100 due from the government to the bank shall form a part; that no amount of notes above £14,000,000 shall be issued, except against gold coin, or gold or silver bullion; and that the silver bullion shall not exceed one fourth the amount of gold coin and bullion. Any person is entitled to demand notes from the issuing department, in exchange for gold bullion, at the rate of £3 17s. 9d. per ounce. Should any banker discontinue his issue of notes, the Bank of England may, upon application, be empowered by an Order of Council to increase her issue upon securities to the extent of two thirds of the issue thus withdrawn; but all the profit of this increased issue must go to the government.

The theory on which this act was founded, had, for several years previously, been brought before the public in pamphlets written by men of distinguished talent. Upon some of these pamphlets we wrote a critique, which appeared in the "Westminster Review" of January, 1841. That article was afterwards published separately, under the title of "Currency and Banking: a Review of some of the Principles and Plans that have recently engaged public attention with reference to the administration of the Currency." In this review we made the following observations on the plan then proposed, and subsequently carried out in the act of 1844:—

"The plan of making the amount of the circulation fluctuate in exact correspondence with the amount of gold in the Bank of England."

"This plan is open to the following objections:—

"1. Upon this plan there must be a perpetual increase and diminution in the stock of gold; consequently, a perpetual increase and diminution in the amount of the currency. The increase in the amount of the currency would raise prices and stimulate speculation. The diminution in the amount of the currency would reduce prices and produce distress. And thus there must be a constant alternation from high prices to low prices, and again from low prices to high prices,—from speculation to distress, and from distress to speculation.

"2. But depression of prices, and their attendant miseries, may not be experienced only when the foreign exchanges are unfavorable. Excessive caution, an apprehension of war, or political feeling, may cause a domestic demand for gold, and this would cause for a while a contraction of the currency as severe as that which would arise from an unfavorable exchange; and, as the bank directors would have no discretionary power, but would be required 'to adhere to principle,' by giving gold for notes, or notes for gold, they could do nothing to assuage these calamities. According to Mr. Loyd,* a drain, from whatever cause it may arise, must be met by a contraction of the currency. Mr. Palmer, in laying down his rule, put in a saving clause,—'except under special circumstances,'—but Mr. Loyd makes no exceptions.

"3. To carry this system into operation would require a separation of the issuing department from the other departments of the business of the bank, and this would cause still further inconveniences. The management of the issuing department would be exceedingly simple. The office of the directors would be a complete sinecure, and,

* I wish I could have made this quotation without introducing the names. It would greatly assist our inquiries after truth, and lead to the formation of an independent judgment, if we could engage in discussions of this kind without any reference to those talented men who may have distinguished themselves as either the advocates or the opponents of the doctrines we investigate.

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for any thing they would have to do, their places might be as well supplied by four-and-twenty broomsticks. A few cashiers to exchange gold for notes, or notes for gold, would be all the establishment required; and could Mr. Babbage be induced to construct a 'self-acting' machine to perform these operations, the whole business of the currency department might be carried on without human agency. But the deposit department would require more attention. 'It is in the nature of banking business,' says Mr. Loyd, 'that the amount of its deposits should vary with a variety of circumstances; and, as the amount of deposits varies, the amount of that in which those deposits are invested (viz. the securities) must vary also.' It is therefore quite absurd to talk of the bank, in its character of a banking concern, keeping the amount of its securities invariable.' As therefore the deposits might vary, the bank would be a buyer or a seller of government securities; and, as these variations are sometimes to a very large amount, the fluctuations in the price of the public funds and of exchequer bills would be very considerable. Thus the property of those who held these securities would be always changing in value. Again, the deposits would be withdrawn chiefly in seasons of pressure, and the bank would then be compelled to sell her securities. But suppose the scarcity of money should be so great that the securities would be unsalable even at a reduced price, how then could the bank pay off her deposits?

"4. If the currency were administered upon this principle, the bank would be unable to grant assistance to the commercial and manufacturing classes in seasons of calamity.

"Mr. Loyd exclaims, 'Let not the borrowers of money, government, and commerce approach, with their dangerous and seductive influences, the creator of money.' But with all deference to Mr. Loyd, we contend that it is the province of a bank to afford assistance to trade and commerce in seasons of pressure. Mr. Loyd, as a practical banker, would no doubt afford assistance to his own customers in such seasons; and if this be the province and duty of a private banker, the duty is more imperative on a public banking company, and more imperative still on a bank invested by the legislature with peculiar privileges for the public good. Mr. Loyd says, 'Let the bank afford this assistance out of her own funds.' But, under Mr. Loyd's system, she could grant assistance only by selling securities; and what relief would she afford by selling securities with one hand, and lending out the money with the other? Besides, it is certain that, under such a pressure as Mr. Loyd's system must occasionally produce, these securities would be salable at even any price? 'But,' says Mr. Loyd, 'individuals may afford this assistance.' In seasons of pressure few individuals have more ample funds than what are necessary for the supply of their own wants. . . . When the distress is caused by a contraction of the currency, it can only be removed by an increased issue of notes. And there are many cases, such, for instance, as that of the Northern and Central Bank, in which assistance can only be effectually rendered in this manner.

"We consider that any system of administering the currency, which prohibits the banking institutions of the country from granting relief to the commercial and manufacturing classes, must be unsound. We should condemn such a system at once, even if we could not detect the fallacies on which it was founded. In political economy we can judge of principles only by their practical effects, and any system which produces these effects must be unsound. When seasons of calamity occur, it is not for the national bank to exclaim, *Sauve qui peut*. They ought to coöperate with the government in attempting to relieve the distress, and to preserve the tranquillity of the country."

These remarks, written in the year 1841, might, if put into the past tense, almost serve for a history of the year 1847. The act of 1844 was formed upon the principle which is here condemned; and the effects described have actually occurred. There have been great fluctuations in the amount of the circulation, in the rate of interest, and in the prices of the public securities. There have been great speculations, followed by great distress. The government funds have, in large amounts, been unsalable; and the bank has been unable to afford relief to the commercial classes. A severe pressure has taken place; and, in consequence of this severe pressure, the act was suspended. It has been denied that this pressure was produced or increased by the act. But how stand the facts?

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The act was passed, and, as predicted, a pressure came: the act was continued, and the pressure increased: the act was suspended, and the pressure went away. These are not opinions; they are facts.

At the meeting of Parliament in the latter end of 1847, committees were appointed by both the House of Lords and the House of Commons, to "inquire into the causes of the distress which has for some time prevailed among the commercial classes; and how far it has been affected by the laws for regulating the issue of bank-notes payable on demand." The following is an extract from the report of the Lords' Committee as to the causes of the pressure:—

"A sudden and unexampled demand for foreign corn, produced by a failure in many descriptions of agricultural produce throughout the United Kingdom, coincided with the unprecedented extent of speculation produced by increased facilities of credit and a low rate of interest, and had for some time occasioned over trading in many branches of commerce. This was more especially felt in railroads, for which calls to a large amount were daily becoming payable, without corresponding funds to meet them, except by the withdrawal of capital from other pursuits and investments. These causes account for much of the pressure under which many of the weaker commercial firms were doomed to sink, and which was felt even by the strongest. To these causes may be added a contemporaneous rise of price in cotton; and, with respect to houses connected with the East and West India trade, a sudden and extensive fall in the price of sugar, by which the value of their most readily available assets underwent great depreciation.

"Some of these causes are obviously beyond the reach of legislative control. But upon those which are connected with the extension of commercial speculation, encouraged or checked by the facility or the difficulty of obtaining credit, by the advance of capital and the discount of bills, the powers and position of the Bank of England must at all times enable that corporation to exercise an important influence. The committee have consequently felt it to be their duty to inquire into the course pursued by the bank acting under the provisions of the 7 and 8 Vict. c. 32, and they have come to the conclusion that the recent panic was materially aggravated by the operation of that statute, and by the proceedings of the bank itself. This effect may be traced, directly, to the act of 1844, in the legislative restriction imposed on the means of accommodation, whilst a large amount of bullion was held in the coffers of the bank, and during a time of favorable exchanges; and it may be traced to the same cause, indirectly, as a consequence of great fluctuations in the rate of discount, and of capital previously advanced at an unusually low rate of interest. This course the bank would hardly have felt itself justified in taking, had not an impression existed that, by the separation of the issue and the banking departments, one inflexible rule for regulating the bank issues had been substituted by law in place of the discretion formerly vested in the bank."

The nature and extent of the pressure is thus described by the Governor and Deputy-Governor of the Bank of England:—

"The panic began by the failures in the corn trade. The price of wheat had risen to about 120s. Large arrivals of grain from the continent of Europe and from America, coupled with the prospect of an early and abundant harvest, caused a sudden fall in price to about 60s., with a corresponding decline in Indian corn. The failure of most of the corn speculators followed this great reduction in price, and their failure caused the stoppage of an eminent discount broker having a large country connection. This latter failure, by closing one of the principal channels of discount between the country and London, caused distrust to extend into the country. Credit became affected by these failures, and several London firms of high standing also failed. Then followed in rapid succession the failure of the Royal Bank of Liverpool, the Liverpool Banking Company, the North and South Wales Banking Company, some private country banks, and the Union Bank of Newcastle, followed by a tremendous run upon the Northumberland and Durham District Bank. To these disasters succeeded alarm, and an almost total prostration of credit. The London bankers and discount brokers

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refused to grant the usual accommodation to their customers, and necessarily obliged every one requiring assistance to resort to the Bank of England. Money was hoarded to a considerable extent; so much so, that notwithstanding the notes and coin issued to the public in October exceeded by £4,000,000 or £5,000,000 the amount with the public in August, still the general complaint was of a scarcity of money. Credit was so entirely destroyed, that houses trading to distant countries carrying on their business through the means of credit, by a renewal of their acceptances as they became due, were no longer able to meet their engagements, and were forced to stop payment. This was the state of things previous to the issuing of the government letter in October." (*Lords*, No. 12.)

The Committee of the House of Commons delivered a report in favor of the continuance of the bill without alteration, in opposition to the opinions of by far the majority of the witnesses who were examined.

Those witnesses who are friendly to the act contend that it has secured the convertibility of the Bank of England note, — that this convertibility was endangered in 1825, in 1837, and in 1839, and would have been endangered in 1847 but for this act. (See the *Evidence before the Committee of the House of Lords*, Questions Nos. 1406 to 1409, and No. 3169.)

By the phrase "securing the convertibility of the note" it is not meant that the issue department of the Bank of England held a sufficient amount of gold and silver to pay off all the notes it had issued. It is obvious that the gold and silver in hand must always be fourteen millions less than this amount, inasmuch as fourteen millions of notes are issued against securities. By "securing the convertibility of the note" is meant, that the issue department of the Bank of England was in a condition to pay off any amount of notes of which payment was likely to be demanded *for the purpose of exporting the gold*; the issue department was always in a condition to meet any *foreign* demand for gold. This is called "securing the convertibility of the note."

It has been contended, that the act has retained in the vaults of the Bank of England a larger amount of gold and silver than would otherwise have been retained. And as this amount is set apart for the express purpose of paying the notes, their payment is so far additionally secured. On the other hand, it has been maintained that, by thus reserving all the gold to pay the notes, we endangered the payment of the deposits. And had the banking department stopped payment, a domestic run would have taken place upon the issuing department, and thus the payment of the notes would still have been endangered.

The following is the evidence of a director of the Bank of Liverpool upon the subject: —

"With regard to securing the convertibility of the notes, what is your opinion of the bill?"

"I do not think it has secured the convertibility of the notes at all. The notes remained convertible up to the suspension of the bill; but I believe that if the bill had not been suspended then, or some similar measure adopted, notes would have ceased to be convertible. Looking to the general state of things throughout the country, and to what I know to have been the state of things in London, and the position of trade generally, — to the alarm that was spreading rapidly through the country, and to the fact that the power of the bank had been reduced to such a point, that if there had been any apprehension of the failure of the country banks, it could not further support them, and that very little might have occasioned (I might perhaps go further, and say,

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would have occasioned) the failure of banks in large towns and in the country; believing that if one or two country banks of any magnitude had failed, alarm would have spread throughout the kingdom, or if one or two London banks had failed, consternation would have been general; seeing, also, the considerable amount of reserve in the hands of the country bankers and joint-stock banks, and the necessity that there would have been of having that reserve as early as possible converted into gold if the bank was obliged to stop; seeing that a reserve of £20,000 for each of three hundred country banks would have taken six or seven millions, or of £15,000 each would have taken five millions; and that if the run for gold had once begun, it would probably have gone on till the treasury was drained; seeing all this, my firm opinion is, that the bill of 1844 has not secured convertibility, and I state the grounds on which that opinion is formed." (*Commons*, No. 94.)

It seems useless at present to speculate upon such a state of things, as we now know that before the pressure arrived to such a height as to cause the banking department to stop payment, the act would be suspended. But it seems fair to ask, whether the precautions of the act are not disproportionate to the danger? We ought to consider not merely the greatness of the evil, but also the probability of its occurrence; and is it wise to inflict upon ourselves a vast number of serious evils merely to guard against a danger that may never occur? It may further be asked, whether the stringent measures that were necessary last year to keep the banking department from stopping payment, would not have been equally effectual under the previous state of the law in preserving the convertibility of the notes?

It should be recollected, too, that previous to the passing of the act of 1844, the bank had the power of rectifying the exchanges by means of foreign credits, as they did in the year 1839. (Several of the witnesses made suggestions for rectifying this exchange by other means than the exportation of gold. See *Commons*, 97, 2018, 2023, 2579, 2614, 2620.) But the directors, being now relieved from all responsibility with regard to the issue department, have no inducement to engage in such an operation. Indeed, they might be censured for interfering with the principle of the act, that the exchanges shall be rectified by a transmission of gold and silver.

It would appear from the evidence, that the *sole* advantage now claimed for the act is, that it has secured the convertibility of the note. Other advantages, however, were expected to result. Those expectations are thus disposed of in the report of the Lords' committee:—

"It is true that to those who may have expected that the 7 and 8 Vict. c. 32, would effectually prevent a recurrence of cycles of commercial excitement and depression, the contrast between the years 1845 and 1847 must produce a grievous disappointment. To those who anticipated that the act would put a check on improvident speculation, the disappointment cannot be less, if reliance is to be placed (as the committee are confident it may) on the statement of the governor of the bank, and of other witnesses, that 'speculations were never carried to such an enormous extent as in 1846 and the beginning of 1847.' If the act were relied on as a security against violent fluctuations in the value of money, the fallaciousness of such anticipation is conclusively proved by the fact, that whilst the difference between the highest and lowest rate of discount was in the calamitous years 1837 and 1839 but $2\frac{1}{4}$ to $2\frac{3}{4}$ per cent., the difference in 1847 rose to 6 $\frac{1}{2}$. If it was contemplated that the number and the extent of commercial failures would have been lessened, the deplorable narrative of the governor of the bank, recording the failure of thirty-three houses comparatively in large business, in London alone, to the amount of £8,129,000 is a conclusive reply. If the

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enormous extent to which railroad speculation has been carried be considered as an evil to which a sound system of banking could have applied a corrective, such a corrective has not been found in an act, since the passing of which, during a period of three years, an increased railway capital of upwards of £ 221,000,000 has been authorized to be raised by Parliament; and when the enormous sum of £ 76,390,000 is stated, on high financial authority, to have been actually expended on railways in two years and a half. If the power of obtaining banking accommodation on moderate terms were considered to be promoted by the act of 1844, it cannot be said that this important object has been attained, since it appears in evidence that in 1847, in addition to an interest of 9 or 10 per cent., a commission was also frequently paid, raising the charge to 10, 20, or 30 per cent., according to the time which bills had to run."

The report might have added, that if it was expected that the amount of notes in the hands of the public would fluctuate in exact correspondence with the fluctuations in the amount of gold in the Bank of England, that expectation has not been fulfilled. From the censure cast on the Bank of England, before the act was passed, for not producing this correspondence, it may be inferred that such an expectation was entertained. (*Evidence taken before the Committee on Banks of Issue*, Nos. 2677, 2713.)

Those who are opposed to the act of 1844 bring against it the following accusations:—

First. The Act of 1844 is accused of having produced an abundance of money and a low rate of interest, and thus stimulated to excessive speculation. We showed, in the last section, that these are always the precursors of a pressure.

According to this Act, all persons are entitled to demand from the issue department of the Bank of England, Bank of England notes in exchange for gold bullion at the rate of £ 3 17s. 9d. per ounce of standard gold. When, therefore, the foreign exchanges are favorable to the importation of gold, this gold, consisting of gold bars and foreign gold coin, which could not be used as money in this country, is taken to the issue department, and instantly converted into Bank of England notes. The amount of notes is thus increased beyond what the transactions of the country require. Money becomes plentiful, the rate of interest falls, and the low rate of interest gives facilities to speculative undertakings.

It must be acknowledged that, previous to the passing of this act, the bank directors had adopted the principle of purchasing all foreign gold that might be offered them at £ 3 17s. 9d. an ounce; and it formed a feature of their system of management, as explained before a committee of the House of Commons in the year 1832. When the advocates of the act say that it is only during a season of pressure that the act comes into operation (Commons, 5121), they can mean only that it is during such a season that the system established by the act differs from the system previously in existence. The act is as much in operation when it gives out notes as when it gives out gold.

It must also be acknowledged that on the 31st August, 1844, when the act came into operation, there was a large amount of gold in the bank, and a low rate of interest consequently prevailed. This gold had accumulated, not literally in consequence of the act, but in consequence of the principle embodied in the act. From the adoption of this principle, the

gold in the vaults of the bank still further increased after the passing of the act.

It must be further acknowledged, that although the act requires the issue department at all times to issue notes against gold, it does not require that the Bank of England shall at all times issue £ 14,000,000 against securities. The act merely requires that the amount *shall not exceed* £ 14,000,000. And a London banker who was examined as a witness before the Lords' Committee, said he expected that when the act came into operation, the bank would not issue at first more than £ 11,000,000 against securities, and that the remaining £ 3,000,000 would not be issued until the rate of interest had advanced to three and a half or four per cent. But the act did not require the Bank of England to adopt this course; and its adoption would probably have been considered by some parties as a departure from its principle. For it is a fundamental principle of the act, that the amount of the circulation shall jerk up and down in exact conformity to the importations or exportations of gold. And hence during a favorable course of exchange, money must be abundant, and interest must be low.

It is alleged that the act still further reduced the rate of interest, and promoted speculative undertakings, by placing the Bank of England in a position in which the directors were led to adopt a new system of management.

In September, 1844, soon after the act was passed, the directors, whose rate of interest had never previously been lower than four per cent., reduced it to two and a half per cent. The object of this reduction was to invest a larger portion of their funds in the discount of bills. It stated that, to effect this object, the directors not only reduced their rate of discount, but also canvassed for business, and thus gave a stimulus to new transactions. They had been told that the banking department of the Bank of England was to be managed "like any other banking concern using Bank of England notes." And it is not an unusual thing for bankers, when they cannot employ their funds at so high a rate of interest as they wish to obtain, to employ them at a lower rate. Nor is it unusual for a banker to offer his surplus cash to bill-brokers and others, who are known to be in the habit of supplying bankers with bills. But however consistent the conduct of the directors may have been with banking principles, the reduction of the bank rate of discount immediately caused a reduction in the market rate, and in the rates charged by bankers throughout the country. For it must be observed, that when the bank lowers her rate of interest upon money in seasons of abundance, it has the necessary effect of reducing the market rate of interest still lower than the bank rate. Suppose, for instance, the bank discounts at five per cent., and the market rate of discount is four per cent., of course no bills are offered for discount to the bank. Then the bank, to get discounts, lowers her rate of interest to four per cent. A portion of bills that were previously discounted by private bankers and bill-brokers will then be taken to the bank; but the notes thus drawn from the bank make money still more plentiful, and the market rate falls to three and a half or three per cent. Now, should the bank reduce her rate to three per cent. the same effects

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would again follow. For the additional notes thus drawn out would make money so abundant as to reduce the market rate of interest to two and a half or two per cent., and so on.

But in seasons of scarcity, precisely the opposite effect follows. For when the bank raises the rate of discount, it has the effect of raising the market rate still higher. Thus, if the bank should be discounting at 5 per cent., and the market rate should be $5\frac{1}{2}$ per cent., let the bank raise her rate to 6 per cent., and the market rate will immediately become 7 or perhaps 8 per cent., or even higher upon inferior bills. For the bank rate of discount will be the market rate for only the first class of bills,—such bills as could be discounted at the bank; and all bills of the second class will have to pay an advanced rate, and those of a still more inferior character will not be discountable at all.

In 1844 the rate of discount was lower than in any previous season of abundance of money. This low rate of interest was produced, in the first place, by the principle of the act of 1844, which caused the issue of a large amount of notes against gold and silver bullion; and, secondly, by that provision of the act which separated the two departments, and thus brought the banking department of the Bank of England into competition with other bankers and money dealers, as discounters of bills. (*Commons*, 2275, 5189, 5347–5350.) The directors of the bank seem to think that the spirit of the act of 1844 required that the bank should employ its reserve.

“If we keep the notes in the reserve, instead of giving them out to the public, the effect that ought to be produced by gold coming into the country is counteracted; it induces a larger amount of capital to come into the country, because you do not allow that portion which has come in to be employed. If you do not put out the gold, or the representative of gold, you entirely prevent its having any effect upon the circulation. The exchange will be kept up, and gold will continue to come in.” (*Commons*, 3009.)

Thus it appears that, although there is no positive enactment in the act respecting the management of the banking department, the directors so understand its spirit as to believe that when gold is going out of the country they ought to take measures to prevent its exit; and when gold is coming into the country, they ought to endeavour to drive it back again. The first object is attained by raising the rate of interest very high; the second, by reducing it very low. It must, however, be acknowledged, that, apart from any efforts of the banking department, a large importation of gold will under the act necessarily cause a low rate of interest.

Secondly. The next charge against the act of 1844 is, that it does not admit of those occasional expansions of the amount of notes in circulation which are often required by the domestic transactions of the country.

It is alleged that one imperfection of the act was strikingly manifested in the beginning of the year 1846. The Parliament required that all railway companies that intended to apply for an act should lodge ten per cent. on their capital within fifteen days after the meeting of Parliament. It was impossible to say beforehand what amount of notes would be required to make these payments. It was variously estimated at from £ 12,000,000 to £ 25,000,000, while all the notes in the hands of the public amounted to

only about £20,000,000. Ultimately the railway companies of Ireland and Scotland were allowed to make their payments in Dublin and Edinburgh, respectively; and the payments in London did not amount to more than £14,000,000. (*Lords*, 1209, 1214.) This large sum was paid by means of the banking department of the Bank of England lending out the money as fast as it was received. Had the act of 1844 not been in existence, the Bank of England (as in the case of the West India loan, and of previous loans) might have lent out the money before the time of payment arrived, and no apprehensions would have been entertained. The notes in circulation would have been largely increased for a few days, and then again have subsided to the former amount. As it was, the payment was not made through any virtue in the act. And had it been required under different circumstances, or when the banking department had a smaller reserve, it could not have been made at all. (*Lords*, 1209.)

It is further alleged, that the act of 1844 requires an immediate contraction in the amount of the notes whenever gold is exported for merely a temporary or specific purpose. Between March 13 and April 24, 1847, £2,237,200 was exported in payments for corn. An equal amount of notes was of course cancelled by the issue department. These notes must have been taken out of the hands of the public, or from the banking department of the Bank of England. About the same time, the government had occasion to borrow of the banking department about £3,500,000 to pay the April dividends. The banking department, consequently, for a while limited their discounts, and even refused to grant loans on exchequer bills. Great pressure was consequently felt, though it did not last for a long time. Now it is alleged, that if the act of 1844 had not existed, the directors would have allowed the gold to be exported without *immediately* contracting the notes in circulation. They would have lent the money required by the government, without refusing the loans and discounts to the public; and the contraction of the circulation, by being extended over one or two months, instead of a few weeks, might have produced no inconvenience.

By the act of 1844, the circulation of the country banks was restricted to a certain amount. The average of the twelve weeks ending the 27th of April, 1844, was fixed for the maximum. During some months in the year the country requires more notes than this maximum; and, as the banks can issue no more notes of their own, they obtain Bank of England notes from London. In the year 1845 acts of Parliament were passed for the regulation of the notes issued in Scotland and Ireland. Beyond certain fixed amounts the banks in these countries are required to hold gold equal to the amount of notes in circulation. In both countries this circulation fluctuates. In Scotland, the highest amount is in November. In Ireland, the highest amount is in January or February. In these months they require more gold, and this gold they obtain from the issue department in exchange for Bank of England notes. Before the act of 1844, the circulation of the country parts of England, of Scotland, and of Ireland, expanded or contracted as required by the wants of the public, without affecting the London circulation of the Bank of England; but under this act the expansion of the circulation of the country banks, the

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banks of Scotland and of Ireland; are attended by a contraction of the circulation of Bank of England notes in London. This may not be a matter of much consequence in ordinary times, when the banking department of the Bank of England has a large reserve; but in seasons of pressure, such as occurred in 1847, this drain on the London circulation may be more severely felt.

It may be further stated, that the withdrawal or discontinuance of a certain amount of bills of exchange, through loss of credit or otherwise, would render a larger amount of bank-notes necessary to fill up the space formerly occupied by those bills of exchange. But for such a circumstance no provision is made by the act. (*Lords*, 232—235.)

Thirdly. It is alleged that the act of 1844 tends to produce and to aggravate pressure, and at the same time deprives the Bank of England of the power of granting adequate assistance, even when the pressure is most urgent, and when assistance can be rendered without any danger of affecting the foreign exchanges.

This objection assumes that a pressure is an evil. It assumes, that, to advance the rate of interest to a rate which no profit can afford to pay; to deprive solvent houses of the means of meeting their legitimate engagements; to cause a universal reduction of prices, and thus to baffle the calculations of even the most prudent; to reduce wealthy merchants to the condition of paupers; to deprive manufacturers of the means of executing their orders, and thus to throw thousands of industrious people out of employment; to sell to foreigners large amounts of goods and manufactures at less than the prime cost, thus causing a great national loss; to paralyze the national industry; to stop the progress of useful works, and to destroy confidence and credit,—the objection assumes, that a pressure which produces effects like these is a national evil. And such must be the opinion of those who suspended the act, and of those who approve of that suspension; for it was to prevent or to remove evils like these that the act was suspended.

It is alleged that the act tends to produce such pressures. By issuing notes against all the importations of gold, it causes abundance of money, lowers the rate of interest, and stimulates to speculative undertaking (thus the low rate of interest in 1844 and 1845 stimulated the railway speculations), and then, speculation is always succeeded by pressure. If, therefore, similar causes produce similar effects, and if the future shall resemble the past, the operation of the act of 1844 will tend to produce pressure.

It is further alleged, that when a pressure occurs without being produced by the act, then the act tends to aggravate the pressure. An unfavorable course of the exchange may be produced by a large importation of corn. The act requires that the exchange shall be rectified by an exportation of gold, and that this exportation of gold shall be attended by a contraction of the domestic circulation (according to the present meaning of the word circulation) to an equal amount. It is hardly necessary to show that these regulations must aggravate a pressure.

It has been said, that the pressure of 1847 was produced by the railway speculations and the famine, and *therefore* it was not produced or in-

creased by the act of 1844. We do not perceive the soundness of this reasoning, and it seems to show a forgetfulness of the peculiar operation of the act. The act requires that the amount of notes in circulation shall fluctuate in exact accordance with the amount of bullion. Railway speculations, famine, foreign loans, or a hundred other things, may turn the foreign exchanges, and cause gold to be exported, but it is the act which causes our circulation of notes to be contracted in proportion as the gold is withdrawn. So a hundred different circumstances may cause gold to be imported, but it is the act which causes the circulation to be inflated in correspondence with this increased amount of gold. Herein, we think, is the injurious operation of the act. When the exchanges are favorable, gold is imported. The gold is in bars and foreign coin, and could not pass as money. But the act issues notes against this gold, thus increasing the circulation, lowering the rate of interest, and giving rise to speculations of all kinds. These speculations, coöperating possibly with other causes, turn the exchanges. Notes are then taken to the bank, and gold demanded, for the purpose of being exported. This contraction of the circulation of notes produces pressure, and the apprehension of further pressure produces panic.

They who contend that the act of 1844 has not "in the slightest degree tended either to create or to increase the pressure" (*Lords*, 3106) of 1847, seem to be inconsistent in contending, at the same time, that the act has preserved the convertibility of the bank-note. It was the pressure and the high rate of interest, and low prices consequent upon the pressure, that checked the efflux of gold, and turned the exchanges. Now, if the act had no effect in producing or increasing that pressure, the convertibility of the note, by whatever causes it was secured, was not secured by the act. If the act did not in the slightest degree either create or increase the pressure, in what way, we ask, could it preserve the convertibility of the note? It appears to us that those who contend that the act preserved the convertibility of the note are bound by consistency to admit that the act produced or increased the pressure.

It is further alleged, that the act aggravates a pressure by the "panic" which it creates. It is stated that, during the pressure of 1847, notes to the amount of £ 4,000,000 were hoarded under the influence of panic, and this hoarding was occasioned by the provisions of the act. It must be acknowledged, however, that something of this kind has taken place in former pressures. We noticed this circumstance with reference to the pressure of 1836 (*The History of Banking in America*, by J. W. Gilbart, page 96), and again with reference to the pressure of 1839 (*An Inquiry into the Causes of the Pressure on the Money Market in the Year 1839*, by J. W. Gilbart, page 38).

"A contraction of the circulation leads to a general apprehension of danger. Hence the bankers and others keep larger reserves of bank-notes on hand, in order to be prepared for the worst, and thus the evils of the contraction are considerably increased. 'That portion of the notes of the Bank of England which is passing from hand to hand, may be called the active circulation. That portion which is hoarded, or kept in reserve to meet possible demands, may be called the dead circulation. Now, it is

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quite certain that the dead circulation, while it remains in that state, has no effect upon the prices of commodities, the spirit of speculation, or the foreign exchanges. These are affected only by the active circulation. In seasons of pressure the dead circulation is increased at the expense of the active circulation, because people hoard their money to meet contingencies. Hence we find the pressure is often more severe than the reduction of the bank circulation would seem to warrant. But the fact is, that the pressure is in proportion to the reduction of the active circulation, and not in proportion to the reduction of the whole circulation. On the other hand, in seasons of abundance, the dead circulation is diminished, the active circulation proportionably increased, and hence the stimulus given to trade and speculation is much greater than the returns of the Bank of England would warrant us to expect.” (*History of Banking in America*, p. 96.)

If this disposition to hoard—or, more properly, to make provision for future or contingent demands—existed in 1837 and 1839, when the Bank of England had the unrestricted power of issuing notes, when there was the most unbounded confidence in her ability to render assistance,—and when every solvent person expected, if necessary, to receive that assistance,—it is natural to suppose that this disposition would be stronger in 1847, when the Bank of England had become divided into two departments,—one of which could issue no notes except against gold, and the other had barely notes enough to meet its own obligations. For this alteration in the condition of the Bank of England, and the consequent feelings it inspired, the act of 1844 is clearly responsible.

It is said that this desire of “hoarding” arose from PANIC; and that the sum thus “hoarded” amounted to £4,000,000 of notes. It is difficult to state where prudence ends and panic begins. This hoarding was no doubt carried on by all the joint-stock and private bankers, who, having received from the public large sums of money payable on demand, deemed it prudent to put themselves in a condition to repay these sums in case they should be demanded. And, from the number of banking establishments that exist in London, and throughout the country, it is reasonable to suppose that the sums thus hoarded must have been considerable. (*Evidence before the Commons’ Committee*, 70, 1737, 4605, 5776.) Many private parties, too, from distrust of their bankers, probably kept their hoards in their own hands. No blame, however, can attach to the bankers; for although this “hoarding” increases the pressure, yet, were they not to adopt this course, their banks might stop payment, and thus a heavier calamity would fall upon the public.

It is further alleged that the act of 1844 has deprived the Bank of England of the power of granting assistance by the issue of notes during a pressure, even when the pressure is most urgent, and the foreign exchanges are favorable. Before the passing of the act, when there was no separation of departments, the bank directors restricted their issues when the exchanges were unfavorable, but extended them when the exchanges were favorable. Hence, during the pressure of 1837, they granted assistance by a further issue of notes to the Northern and Central Bank, because the exchanges had become favorable. Between the periods of

an efflux and an influx of gold there is always an interval of time. This interval is usually the highest point of the pressure; and heretofore the Bank of England would relieve the pressure by extending her issue of notes, in anticipation of the gold about to arrive. By this means solvent houses were prevented stopping. Confidence was restored, "hoarding" was diminished, and the pressure removed. But the act of 1844 does not allow this. No additional notes can be issued until the gold has returned. The same course must be followed whether the exchanges are favorable or unfavorable; and to anticipate the return of the gold, by a further issue of notes, under any circumstances, however urgent, would be a departure from the principle of the act. That such a departure, however, may be made with immense advantage to the public, is obvious from the effects which immediately followed the suspension of the act in October, 1847. (*Commons*, 5387 - 5389.)

It is chiefly in this respect that the system established by the act differs from the system previously in operation. And some of the witnesses, looking no farther than this, merely recommended that a power to suspend the act in cases of severe pressure, should be lodged either with the government or the bank. We feel no regret that the Legislature did not comply with this recommendation. It is this inflexibility of the act which makes the commercial classes *feel* the unsoundness of its whole principle. Had a dispensing power been granted, we should merely have fallen back upon the previous system, with the additional disadvantage that the bank would never be able to adopt a better system, even if so disposed. The directors had for several years professed to govern the issue of notes by the foreign exchanges, but departed from that principle according to their discretion. The act of 1844, by its inflexible enactments, put this principle to the test of experiment. The principle could not bear that test, and hence the act was suspended. There is now a chance, at least, that we shall get a better system. The following is the language we addressed to the joint-stock banks at the time the act was passed: —

"It must be acknowledged that the principle of regulating the currency by the stock of bullion in the Bank of England, as proposed by Sir Robert Peel, is one which the joint-stock banks, as well as the private banks, have strongly condemned. But since we cannot obtain the adoption of our own views, the question for our consideration is, Whether the existing system or that now proposed will best promote the interests of our establishments? And we shall probably determine that it is better to have a uniform law, the operations of which may be subjected to some degree of calculation, than unknown laws, which are applied or suspended according to the impulse of caprice.

"The proposed measure is an experiment; and so excellent is the machinery, that the experiment interferes as little as possible with existing interests. And the old machinery being retained by the continuance of the country issues, the return is easy to the former system, if necessary, before any serious injury can be inflicted on the country.

"As practical bankers, we contend that experience is the only test of the soundness of a theory. Let, then, 'the currency principle' be tried by this test. If it succeed, the joint-stock bankers, in common with every

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other class of the community, will share the advantage. If it fail, then other principles will, perhaps, be tried; and, notwithstanding all the denunciations we have heard upon the subject, it may perhaps be ultimately found that the principle of 'competing issues,' as practised in Scotland, is the only effective principle by which the currency throughout the United Kingdom can be managed."

In the year 1844, I addressed four letters to the joint-stock banks, under the signature of Nehemiah. "The first was written a short time previous to the opening of Parliament, the second soon afterwards, when an impression prevailed that a plan would be proposed for the establishment of one bank of issue; the third, immediately after Sir Robert Peel had announced his measures in the House of Commons, and before the deputies from the joint-stock banks had held their meeting for the purpose of considering them; and the fourth, after those measures had become law." The object of the third letter, from which the above quotation is taken, was to advise the joint-stock banks not to discuss the principle of the currency in their communications with the government, but to endeavour to obtain some practical modifications of the measures originally proposed. My advice was followed, and the modifications were obtained. The joint-stock banks have had no meeting respecting the pressure of 1847. They have consequently expressed no opinion respecting it; nor did they propose any witnesses for examination before the parliamentary committees. It was not thought advisable that the joint-stock banks, as a body, should interfere with public questions, except such as have a special reference to themselves, as joint-stock banks. It was therefore determined to watch the proceedings of the committees, but not to call a meeting of "the deputies," unless some measures were recommended that might practically affect the joint-stock banks.

It is obvious that "the currency principle" has been tried and has failed. It seems now to be the proper time to try the antagonist principle, that the amount of the domestic currency should be wholly unaffected by the importations or exportations of bullion. We doubt not that the talent and ingenuity which framed the act of 1844 can construct a plan for bringing this principle also to the test of experiment. When this is done, we will judge of the soundness of the principle by its results. So far as it has hitherto been tried, it has never failed.*

* It would appear from the recent Message of the President of the United States of America, that his principle has been tested by the operation of the "Constitutional Treasury."

"During the present year, nearly the whole continent of Europe has been convulsed by civil war and revolutions, attended by numerous bankruptcies, by an unprecedented fall in their public securities, and an almost universal paralysis of commerce and industry; and yet, although our trade and the prices of our products must have been somewhat unfavorably affected by these causes, we have escaped a revulsion, our money market is comparatively easy, and public and private credit have advanced and improved.

"It is confidently believed that we have been saved from their effect by the salutary operation of the Constitutional Treasury. It is certain that, if the 24,000,000 of specie imported into this country during the fiscal year ending on the 30th of June, 1847, had gone into the banks, as to a great extent it must have done, it would, in the absence of this system, have been made the basis of augmented bank paper issues, probably to

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We have thus endeavoured to trace (impartially, as we believe) the practical operation of the Act of 1844. (The reader will find some further observations on this act in the section on "*The Administration of the Banking Department of the Bank of England.*") It is reasonable to suppose, that under similar circumstances it will produce similar effects. What will be its effects under other circumstances, we have yet to learn. We have yet to learn what will be the operation of the act under a large importation of gold, *ab initio*, from a favorable state of the exchanges; what will be the effect of the act during a pressure, when it shall not be suspended; and how its effects may be increased or mitigated by any different system of management on the part of the banking department. We have yet to learn how the act will work financially during a large falling off in the public revenue, an increase of taxation, or contracts for large government loans; and how it will work during a war, in which we may have to maintain armies on the continent, or to subsidize foreign powers. We have yet to learn whether the issuing department will be ultimately removed from the Bank of England to the Exchequer, and we shall have a paper currency issued by the government under the authority of an act, the provisions of which may be suspended (as heretofore) by the same government; and also whether the future suspensions of the act will ever be influenced by party or political considerations. And finally, we have yet to learn how the act will work in case of any large importations of gold from the mines of Russia or California.

We may be reminded that, should the act work unfavorably under any of the above circumstances, there is one remedy always at hand, the remedy which has already been applied, to suspend it. And no doubt, under any government, men will be found who will have the courage to apply this remedy. But this will not remove the previous evil. The suspension, too, may be long delayed, and in the mean time much evil may arise. In the next pressure the nation will be like "a cat in an air-pump." The animal will not be allowed to die, but at what precise period of exhaustion relief will be afforded will depend upon the views and theories of the philosophic statesman who may at the time be performing the experiment.

It will not be safe for practical bankers to calculate with too much confidence upon the suspension of the act. They should make their arrangements on the supposition that it will not be suspended. And it behoves them to inquire what are the principles upon which, under such circumstances, their establishments ought to be administered. This we shall now proceed to do.

an amount not less than 60,000,000 or 70,000,000 of dollars, producing, as an inevitable consequence of an inflated currency, extravagant prices for a time, and wild speculation, which must have been followed, on the reflux to Europe the succeeding year of so much of that specie, by the prostration of the business of the country, the suspension of the banks, and most extensive bankruptcies. The restraining effect of the system upon the tendencies to excessive paper issues by banks, has saved the government from heavy losses, and thousands of our business men from bankruptcy and ruin. The wisdom of the system has been tested by the experience of the last two years, and it is the dictate of sound policy that it should remain undisturbed."

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We pointed out at the passing of the act the course which we thought prudent bankers ought to pursue.

“Permit me now, with all deference, to point out the course which I think the joint-stock banks should pursue. In future, the amount of notes in circulation will be regulated by the foreign exchanges. When the exchanges are favorable, money will be abundant; when they are unfavorable, it will be scarce. The evils arising from a scarcity of money can only be avoided by following a prudent line of conduct when money is abundant. We, then, as prudent bankers, ought at present to check our desires of making large profits and declaring high dividends, and be content to employ our funds at a low rate of interest, rather than lock them up in hazardous or inconvertible securities. We should call up our old over-drafts, and our dead loans, and, if necessary, increase our capital, so as to place ourselves in the position most favorable for meeting an adverse state of the foreign exchanges. In cases of pressure on the money market, arising from an unfavorable course of exchange, the Bank of England will not be able, as heretofore, to relieve that pressure by a further issue of notes, and, so far from granting assistance to other banks, she may, from the extent of her transactions, be more in need of assistance herself. We must, therefore, conduct our banks, individually, on a principle of self-dependence; we shall have to limit our overdrawn accounts, to avoid all advances on inconvertible securities, and to call up such an amount of capital as shall secure to us the means at all times of giving reasonable accommodation to our customers. On the recurrence of a pressure similar to that of 1839, the cry will be *saute qui peut*, — ‘every one must take care of himself.’ ” (*Letters of Nehemiah.*)

The knowledge we have acquired of the working of the act will tend to give additional force to these recommendations. The attention of practical bankers will also be called to other points besides those which are here named.

It will become a question with them to what extent they should continue to allow interest on their deposits. Some of the joint-stock banks in London allow interest on the minimum balance of a current account. Others allow interest only on deposit receipts. But most London bankers, whether private or joint-stock, allow interest on the daily balance to their country connections. In seasons of abundance, however, they usually limit the amount on which they allow interest, to prevent themselves being glutted with money from the country banks. But should the act of 1844 produce those frequent alternations from abundance to pressure, and again from pressure to abundance, which we think it will produce, then it will become a matter of consideration how far the practice of allowing interest on deposits can be continued. It can never be worth a banker's while to allow interest on money which remains in his hands only so long as it cannot be employed, and is taken from him the moment it becomes valuable. During the year 1847 vast sums were withdrawn from both the London and the country bankers, not from any distrust of these bankers, but with a view to make more profitable investments. The rate of interest had been for some time previously very low. Consols had been at par; and when consols fell so low as to yield $3\frac{1}{2}$ per cent. interest, and the railway

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companies issued debentures bearing interest at five per cent., large sums were withdrawn from all the banks, as well as from the savings banks, for the purpose of being invested in these securities. The bankers had no right to complain of this, as they were called upon only to fulfil their engagements ; but they will probably be unwilling in future to allow interest on deposits of this description.

Another circumstance which the operations of the act of 1844 will lead practical bankers to reconsider, will be the extent to which they should invest their surplus funds in government securities. Many bankers have considered it as a sound principle to invest a certain portion of their funds in government securities. We have laid before our readers extracts from evidence given before parliamentary committees in favor of this principle, and we expressed our own convictions respecting the same doctrine. But we must acknowledge the operations of the act are sufficient to show that this principle should be acted upon with caution, and should be limited in its application. The act will cause money to be alternately abundant and scarce. When money is abundant, the funds are high ; and when money is scarce, the funds are low. In seasons of abundance the banker will be full of deposits ; in seasons of pressure his deposits will be withdrawn, and he will, moreover, be asked to assist his customers by further advances. He will, therefore, always have occasion to sell out of the funds when the price is low, and thus he will sustain loss. It will, consequently, be his interest to employ his surplus funds in other investments, or even to keep his money unemployed in his till, rather than invest it in government securities. His risk will be greater if the act should be capriciously suspended. In October, 1847, several banks are said to have sold out of the funds only a few days before the appearance of the government letter. After the issue of that letter the money was not wanted ; but, as the funds immediately rose, the money could not be replaced but at considerable loss. The reports and proceedings of the joint-stock banks brought to light some transactions of this kind, and it is probable that the private banks sustained heavy losses by similar transactions.

Another lesson that will be more deeply impressed upon the minds of practical bankers, will be to conduct their establishments in such a way as to be self-dependent in seasons of pressure.

The events of the year 1847 are sufficient to show to what extent dependence can be placed on the Bank of England. Several of the directors complained that every body looked for assistance to the Bank of England. No expectation could be more complimentary to the bank, nor show more strongly the confidence she had inspired under her previous government. In no preceding pressure had she refused assistance upon the ground that she was unable to grant it. But in former pressures there was no separation between the issuing and the banking departments. Her great strength lay in the power she possessed of expanding the circulation. That power she surrendered to the act of 1844. She then became like "any other banking concern issuing Bank of England notes." Her locks are now shorn. (*Commons*, 769, 3223-4, 3941-2, 4566, 5389.)

The Bank of Liverpool had been one of the oldest and most respectable of the connections of the Bank of England. They had, from their com-

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mencement, never issued any but Bank of England notes, and had always a pretty large discount account with the branch at Liverpool. Yet, in the year 1847, their minute book contains several entries similar to the following:—"The manager stated he had seen the agent of the branch bank this morning, and that he would not discount any thing for us to-day." Even in the comparative light pressure of April, 1847, the bank suddenly restricted their discounts; and in October, 1847, they were quite unable to meet the public demand, although in some cases they lent consols instead of money. Indeed, it was because the means of the bank were unable to supply the demand for notes that the act of 1844 was suspended; yet the governor, and all the other witnesses who supported the act of 1844, stated their opinion that the pressure of 1847 was not so severe as some preceding pressures. How much sooner, then, would the means of the bank have been exhausted if the pressure had equalled its predecessors in severity!

While bankers should not depend on the Bank of England, neither should they depend on the bill-brokers. A broker, as the name implies, is an intermediate party between the borrower and the lender. When money is abundant, the bill-broker has large funds at his disposal, with which he will discount at a lower rate of interest than the bankers. When a pressure arrives, these funds are withdrawn, and his occupation is gone. Some bill-brokers have large capitals of their own, and take in deposits, repayable on demand; and to this extent they may be regarded as bankers. When money is abundant, sometimes cunning people, instead of going to their own banker's, will take their bills to the bill-brokers, who will discount them at a lower rate; and when the pressure arrives, and the brokers no longer discount, they think to return to their banker's. It is said that some country banks have occasionally adopted the same system. But it is clearly a bad system for any bank to adopt. A bank that is dependent on re-discount, will most likely feel some inconvenience in a season of pressure, even when the bills are all undoubtedly good. But if the bank has, from a desire of making large profits, been induced in seasons of abundance to re-discount inferior bills, the results may be more serious. For in a season of pressure, a large portion of those bills will not be paid, and the bank will have to provide payments for its own indorsements, while its former channels of re-discount will be closed. All the joint-stock banks that stopped payment in 1847, had been accustomed to re-discount; and though some of them were unsound in other respects, yet the immediate cause of their stoppage was the inability to re-discount. We again refer to the proceedings of the Bank of Liverpool. "The manager stated that out of two small sums of £ 10,000 sent to London to the broker's, only one had been done." "We had then £ 100,000 at call with certain bill-brokers, who were unable when applied to, to return us more than £ 25,000." The governor of the bank stated that the failure of the corn speculators caused the failure of an eminent discount-broker having a large country connection; and this failure, by closing one of the principal channels of discount between the country and London, caused distrust to extend into the country.

Banks should not only avoid depending on the Bank of England, or on

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bill-brokers ; they should also avoid depending on other banks. Some banks in manufacturing districts are in the habit of discounting with banks in agricultural districts,—a very good practice, as we think. But the banks requiring the discount should always recollect that when a pressure arrives, the discounting bank may have other ways of employing its funds. Country banks, too, should not rely too much on their London agents. Some London bankers have, no doubt, immense power. At the same time, in seasons of pressure, they have immense claims upon them. (*Commons*, 2344—8.) If free from a run upon themselves, they will endeavour so to administer their funds as to afford reasonable assistance to all their connections. And no one connection should expect to receive more than this reasonable amount of assistance. But they may themselves be exposed to danger. The panic of 1847 was not a banking panic, but a commercial panic ; and therefore the London bankers were comparatively free from molestation. But banks had failed in Liverpool and Newcastle, and this might have caused a banking panic in London. The panic of 1825 commenced by the failure of a country bank. In such a case the London bankers could have rendered but little assistance to their country connections. It must be recollected, that the act of 1844 was suspended upon the application of the London bankers. The governor of the bank stated to the Committee of the House of Lords, “The London bankers and discount-brokers refused to grant the usual accommodation to their customers, and necessarily obliged every one requiring assistance to resort to the bank of England.”

X The most effectual way of acquiring this self-dependence that we have been recommending, is to call up an adequate amount of capital. During a pressure, as we have already said, a banker has three additional claims on his funds. In the first place, a large amount of his deposits may be withdrawn. Secondly, many of his customers, and some probably of the wealthiest, will require additional assistance, in the way of loans and discounts. And, thirdly, he will think it prudent to keep a larger sum in his till to meet contingent demands. On the other hand, the bills he holds will not all of them be regularly paid ; the temporary loans he has granted will have to be renewed ; and should he call up any of his permanent, or dead loans, it will resemble calling spirits from the deep. In this case he will find the benefit of a large capital ; and it is only by means of a large capital that all these operations can be performed with comfort to himself and satisfaction to his customers. But if we increase our capitals to the full extent that may be required in seasons of pressure, we must not expect to pay high dividends. It is obvious that, with the same extent of business, a bank with a large capital must pay a lower dividend than a bank with a small capital. It seems therefore likely that the average rate of banking profits will be reduced.

HC “The fluctuations in the value of money produced by attempting to regulate the currency by the foreign exchanges are injurious to both the London and the country bankers. In seasons when money is abundant, the bankers obtain but a low rate of interest on their loans and discounts ; and they are tempted to make imprudent investments in order to employ their funds. And when, on the other hand, money is scarce, the amount

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of their lodgments is reduced ; the rate of interest allowed on the permanent deposits is advanced ; a larger sum is kept unemployed in the till ; and there is more danger from losses, either by the failure of parties in debt to the bank, or by the necessity of realizing government securities. Those country bankers who are in the habit of re-discounting their bills in London are induced, when money is abundant, to carry this system to a great extent, because they can obtain money at two or three per cent. in London, and lend it in the country at four or five per cent. But when money becomes scarce they have to pay an exorbitant interest or are denied discounts altogether, and they are then compelled to refuse their customers their usual accommodation, and then great distress is occasioned in the provinces. Except under peculiar circumstances, both the extremes of abundance and scarcity of money are unfavorable to large banking profits, — a state in which money is easy without being abundant, and valuable without being scarce, is the most conducive to the prosperity of both the banking and the commercial interests of the country." (*An Inquiry into the Causes of the Pressure on the Money Market during the year 1839.*)

While, however, the profits of a banker from the ordinary operations of his business may be diminished, it is possible he may have opportunities of making other profits by those fluctuations in the prices of public securities, which usually occur in the different periods of a circle of the currency. In the first period, immediately after a pressure, money is abundant without speculation ; in the second period, money is abundant and speculations abound ; in the third period, speculation begins to decline and money is in demand ; in the fourth period, money is scarce and a pressure arrives. It is impossible to say how long each of these periods may last, as they will be influenced by political events, the abundance of the harvests, the direction which speculation may take, and the state of the public mind. Their approach or decline is generally indicated by the stock of gold in the Bank of England.

During the first period money will be abundant, because the importation of gold will cause an increased issue of bank-notes ; because, the import of commodities being diminished, there will be fewer bills drawn from abroad upon English houses and offered for discount to the London bankers ; and because trade will have become paralyzed at home, and prices will have fallen, so that less money will be required to carry it on. A banker at this period, will have more money than he can employ. But at this period, the prices of the public funds and of other securities are low. The act of 1844, by causing great fluctuations in prices, gives great advantage to prudent capitalists, at the expense of the less prudent or less wealthy classes of the community. "All fluctuations in trade," says Mr. Gurney, "are advantageous to the knowing man." (*Lords*, 1324.) To those who are not "knowing men," these fluctuations are injurious. The abundance of the circulation produces a multiplication of contracts, and then the contraction of the circulation produces an inability to fulfil them. (*Lords*, 3845.) And those who have stock or any other kind of salable property, are obliged to realize in order to fulfil their engagements. Bankers may, during this period, make advantageous in-

vestments; and as they may calculate that another pressure will not arrive for two or three years, they may purchase a limited amount of securities that have six or twelve months to run. During the second period, money will be in demand, though there may be no great advance in the rate of interest. The securities purchased by the banker in the first period, will now be falling due or advancing in price. But this will be the period of his greatest danger, and he must have a care not to let his desire of getting higher interest lead him to make undue advances upon the commodities or securities that may be the subject of speculation. The third period will be the most profitable for the banker in his direct business. Money will be in full demand at a good rate of interest, and his deposits will hardly have begun to decline. He should now sell out stock and exchequer bills, or any other securities likely to be affected by the approaching pressure. He should make advances only by discounting short bills or making short loans. He should weed his accounts of such customers as have deeply engaged in the previous speculations; and put himself in a condition to support liberally through the pressure those who may be entitled to his assistance.

It seems therefore probable that bankers will, under the act of 1844, endeavour to make up for diminished profits by dealing more largely in securities. According to the evidence of Mr. Pease, the fluctuations in the currency have already produced similar effects in the departments of trade and commerce.

"I stated, as clearly as I was able to do, that the man who bought from hand to mouth, which is the common case, and did not watch those fluctuations of capital, so as to buy when things were unusually depressed, and to sell when things rose again, failed. The only man who succeeded in making money, succeeded in carrying on a speculative kind of business, that has arisen from the want of regularity in the values of money and produce. The man who did not so speculate—buying largely at one time, and selling very freely at another—did not succeed." "It is of great importance that persons who do not desire to carry on a speculative business, should have some assurance that it is moderately productive. That assurance they have lost, by being suddenly deprived by those fluctuations of that which they thought they had secured by their industry." (*Commons*, 4700, 4702.)

Though we would not confound this kind of speculation with that which takes place by means of time bargains on the Stock Exchange, yet we do not think it desirable that banks should deal in the public securities merely with a view of making a profit from the fluctuations in price. Sometimes the banker will be out in his calculations, and, instead of selling at a profit, he will have to sell at a loss, or else submit to a lock-up of his funds. And at all times there is a danger that he will acquire a speculative feeling, which will lead him to disregard the steady pursuit of his trade.

SECTION IX.—THE ADMINISTRATION OF THE BANKING DEPARTMENT OF THE BANK OF ENGLAND.

By the act of 1844, the banking department of the Bank of England was separated from its issuing department; and was to be managed like

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“any other banking concern issuing Bank of England notes.” Taking this view of the banking department, we propose to inquire on what principles it ought to be administered. We shall do this, however, not so much with the view of bringing forward any notions of our own, as to lay before the reader some account of those principles which the bank directors have adopted for their government. This will lead us, peradventure, to discuss some principles of practical banking to which we have not hitherto had occasion to refer. We shall then trace the operations of this department since the passing of the act of 1844.

The Bank of England is governed by a court of directors, consisting of twenty-four members. These are selected from the mercantile classes of London, virtually, by the other directors, who form what is called a House List. They recommend certain persons to be chosen as directors, and the proprietors always follow this recommendation. The court hold their meetings every Thursday, and they then receive a report of the transactions of the preceding week.

The executive administration, in the mean time, is in the hands of the governor and deputy-governor, who may be advised or assisted by the committee of treasury. This committee is composed of those directors who have held the office of governor, of the existing governor and deputy-governor, and of the director who is intended to be the next deputy-governor. A director is at first an ordinary director, and attends the weekly meetings of the court. In turn he becomes, for one year, a member of the committee of treasury; then deputy-governor for two years; then governor for two years; and afterwards a permanent member of the committee of treasury. This committee meet once a week, and at such other times as they may be called together specially by the governor. Sometimes they discuss the measures that are to be submitted to the next meeting of the court; but the court do not now so readily as formerly adopt their recommendations. The governor and deputy-governor, for the time being, make all loans and advances, and sometimes raise the rate of discount, without waiting for the opinion of the court. They conduct all negotiations with the government, and, subject to the sanction of the court, have the whole administration of the affairs of the bank. Each director must hold £2,000 bank stock; the deputy-governor, £3,000; and the governor, £4,000. It was the rule that every director should take his turn for becoming governor, but recently it has been determined to place in that office the director whom the other directors shall, by ballot, think best qualified. Several suggestions were made before the parliamentary committees, for improving the composition of the court of directors. It was proposed that all the directors should not be taken from the commercial classes, but that some should be selected from the banking and manufacturing interests. It was also asked, whether a permanent governor, either for life or for a number of years, would not be preferable to the present system.

The act for separating the two departments came into operation on the 31st August, 1844, and the following was the first return made under the act, showing the condition of the banking department on the 7th of September, 1844:—

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*Account of the Liabilities and Assets of the Bank of England, for the week ending 7th September, 1844.**

Dr.	ISSUE DEPARTMENT.	Cr.	
	£	£	
Notes issued,	28,351,295	Government debt,	11,015,100
		Other securities,	2,984,900
		Gold coin and bullion,	12,657,208
		Silver bullion,	1,694,087
	<hr/>		<hr/>
	£ 28,351,295		£ 28,351,295
 BANKING DEPARTMENT.			
	£		£
Proprietors' capital,	14,553,000	Government securities,	14,554,834
Rest,	3,564,729	Other securities,	7,835,616
Public deposits,	3,630,809	Notes,	8,175,025
Other deposits,	8,644,348	Gold and silver coin,	857,765
Seven-day and other bills,	1,030,354		
	<hr/>		<hr/>
	£ 31,423,240		£ 31,423,240

It will be seen from the above, that the means or funds of the banking department for carrying on its business, consists of,—1. The paid-up capital; 2. The rest, or surplus fund; 3. The public deposits; 4. The other deposits; 5. The seven-day and other bills. These funds are invested in “government securities” and in “other securities,” and the remainder is kept as a reserve in the till.

1. Viewing this as the condition of a private and independent bank, the first thing that would strike the mind of a practical banker would be the large amount of the PAID-UP CAPITAL. The capital is £ 14,553,000; while the total deposits are only £ 12,275,157. The object of a large capital is, in the first place, to secure the public confidence; then, to have the means of repaying the deposits whenever demanded; and also, of affording to the customers of the bank every reasonable accommodation in the way of loans or discounts. But after making due provision for these objects, this amount of capital appears unnecessarily large. Were it only £ 7,000,000, that would be amply sufficient for carrying on the present extent of business, and the rate of dividends might then be increased. All above this amount could only be invested in government securities, never likely to be required for banking purposes; and if required, could not be suddenly realized, or at least not within the period in which they are likely to be wanted.

2. The next thing that would appear remarkable for a private bank, is the large amount of the REST, or surplus fund.

The Rest, or surplus fund, or Guarantee Fund, as it is sometimes called, consists of the accumulation of surplus or remaining profits after the payment of the dividend. The object of this fund is not to guarantee the public for the security of their deposits, but to guarantee to the shareholders the uniformity of the dividend. If, in any one year, the profits fall below the amount required to pay the usual dividend, the deficiency

* The Table on the next page will give a more detailed account of some of the items in the above return.

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is taken from the rest or surplus fund. The amount of this fund should be regulated by the extent of the business and the probable loss that might arise in conducting that business. If the fund is five or six times the amount of the deficiency that might possibly arise in making up the annual dividend, it would appear to be sufficient. For if, after making up this deficiency for one, two, or three years, it should appear that the

7th September, 1844.		
<i>Dr.</i>		<i>Cr.</i>
Circulation:		
London,	£ 14,802,000	
Country,	6,405,000	
	<hr/> 21,207,000	
Deposits, Public, viz.:—		
Exchequer Account,	2,198,000	
For Payment of Dividends,	315,000	
Savings Banks, &c.,	501,000	
Other Public Accounts,	617,000	
	<hr/> 3,631,000	
Deposits, Private, viz.:—		
Railways,	30,000	
London Bankers,	963,000	
East India Company,	636,000	
Bank of Ireland, Royal Bank }	175,000	
of Scotland, &c.	5,631,000	
Other Deposits,	1,209,000	
Deposits at Branches,	<hr/> 8,644,000	
	<hr/> £ 33,482,000	
Public Securities:		
Advances on Exchequer Bills.		
Deficiency,	£ 870,000	
Other Exchequer Bills,	311,000	
Exchequer Bills Purchased,	12,821,000	
Stock and Annuities,	<hr/> 14,002,000	
Private Securities:		
Bills discounted,—		
London,	118,000	
Country,	2,003,000	
	<hr/> 2,116,000	
Exchequer Bills, Stock, &c.,	661,000	
East India Bonds,	198,000	
City Bonds, &c.	3,357,000	
Mortgage,	620,000	
Advances:		
Bills of Exchange,	883,000	
	<hr/> 5,719,000	
Bullion,	21,837,000	
	<hr/> 15,209,000	
	<hr/> £ 37,046,000	

profits of the bank had become permanently diminished, then the course would be to reduce the dividend until the surplus fund had recovered its former amount.

Banks that have made large profits have either increased the dividend, or distributed them among the shareholders in the form of bonuses, or have added them to the capital. The Bank of England have adopted all these plans. Yet, after all these distributions of increased dividends, bonuses, and additional capital, the bank had on the 7th of September, 1844, a rest, arising from surplus profits, of £ 3,564,729. No other "banking concern carrying on business with Bank of England notes," would think it necessary to keep such a rest. Neither the kind nor the extent of business carried on, is ever likely to require any thing like this amount to meet any occasional losses. The amount is altogether excessively disproportionate to the purposes for which a surplus fund is usually applied, and at the same time it tends to give an erroneous view of the profits of the bank. This rest is employed in the business, and yields profits, but it pays no dividends. The profits go to swell the dividend on the capital, and hence the capital appears to yield a profit of 7 per cent. But the dividend of 7 per cent. is not made upon the capital alone, but on the capital and rest together, and hence upon the funds employed it amounts to only about 5½ per cent.

3. THE DEPOSITS.

The Public Deposits are thus classified:—

	£
Exchequer account,	2,198,000
For payment of Dividends,	315,000
Savings Banks, &c.,	501,000
Other public accounts,	617,000
	<hr/>
	£ 3,631,000

The "Exchequer account" is the current account with the government, and this account is credited with the amount of the taxes as they are lodged in the bank. In the beginning of January, April, July, and October, this account is debited for the amount necessary to pay the quarterly dividends, and the amount is carried to the credit of the account "for payment of dividends." The balance here standing to the credit of this account is the amount of the dividends that had not then been claimed. The next account is called "Savings Banks, &c." The trustees of the savings banks throughout the country are required to lodge the deposits in the Bank of England to the credit of the Commissioners for the Reduction of the National Debt, who afterwards invest it in the public funds. We do not know what is meant by "&c.," nor yet by the "other public accounts." We believe there are certain accounts connected with the Court of Chancery that are required to be kept with the Bank of England; and, by the last bankruptcy law, the effects of bankrupts' estates are required to be lodged in some one or other of the branches. These may form the "other public accounts."

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The Private Deposits are thus classified : —

	£
Railways,	30,000
London Bankers,	963,000
East India Company,	636,000
Bank of Ireland, Royal Bank of Scotland, &c.,	175,000
Other Deposits,	5,631,000
Deposits at Branches,	1,209,000
	<hr/> 8,644,000

With regard to both the public and the private deposits, a banker would inquire whether they were fluctuating or permanent; whether repayable at fixed periods, or liable to be suddenly withdrawn. He would thus ascertain what proportion could be profitably employed, and what amount should be kept in the till, to meet constant or occasional demands. He would observe on inspection that the balance of the "exchequer account" increases gradually during the quarter, from the receipt of the taxes, until the commencement of the next quarter, when it is largely reduced by the payment of dividends. He will, therefore, provide for these quarterly payments; but his provision will be less ample when informed, that, as the public deposits decline, the private deposits will increase, and more especially those of the London bankers. This is partly in consequence of the bankers holding powers of attorney to receive the dividends due to parties who reside in the country, and partly because the abundance of money caused by the payment of dividends increases their own deposits, and thus enables them to keep for a time larger balances in the Bank of England. We have already said that no rule can be given as to the amount of notes which any banker should keep in his till, — the proper amount can be ascertained only by experience. But we should imagine that in ordinary times the deposits in the Bank of England are sufficiently steady to prevent any perplexity on the subject. We may be asked what we mean by "ordinary times," since now every year differs from its predecessor, and the steadiness and uniformity which heretofore characterized banking and commercial affairs are no longer known. We reply, that by "ordinary times," we mean those times that are the least affected by the foreign exchanges. For some years past it has been the practice to regulate the issue of bank notes by the foreign exchanges. When the foreign exchanges bring gold into the country, bank notes are issued against it, money becomes abundant, and the bank deposits increase. When the exchanges take out gold, the bank notes are diminished, and the bank deposits decline. This system has, in a great measure, been acted upon by the bank directors since the year 1832, and it is now rigidly enforced by the act of 1844. These extraordinary seasons of great influx or great efflux of gold appear to be subject at present to no general rules. But at other times there seems to be no reason why the Bank of England should not profitably employ a large portion of her deposits. We may observe, however, that, as the bank allows no interest on any of her deposits, she sustains no loss even when they are not employed; but were they to be employed, her profits would be greater.

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4. With regard to the INVESTMENTS, a banker would inquire first, Are they safe? Secondly, Are they convertible?

There seems no ground to question their safety, — their convertibility is not so obvious. The Government stock, Exchequer bills, and East India bonds, must be considered in ordinary times, and to a reasonable amount, as strictly convertible. But this is not the case with the Government annuities. They could not be sold in the market; and even by private negotiations, few buyers would be found, except the insurance offices. Even with them the negotiations would probably occupy considerable time. As to the city bonds, railway bonds, and mortgages, they would in a season of pressure be altogether useless. It may be said, that the bank's capital being so large, a portion may, without inconvenience, be locked up in dead securities. This observation is valid to a certain extent, but not to an indefinite extent, and, after giving it due weight, the amount thus invested seems too large.

The annuities form a large portion of the amount of the "Stock and Annuities." The first is an annuity of £585,740, usually called the "Dead Weight," which commenced on the 5th April, 1823, and is to continue for forty-four years from that time. Other annuities arose out of the Bank Charter Act of 1833. The government were to pay to the bank one fourth of the permanent debit of £14,686,800, amounting to £3,671,700. At first it was arranged that the bank should receive in payment of this sum £4,000,000 three per cent. reduced annuities; but it was afterwards changed to an annuity for twenty-six years, and will expire in 1860, at the same time as the "Long Annuity."

The bills discounted, and the short loans called "Advances on bills of exchange, exchequer bills, stock, &c.," are most legitimate banking investments.

The plan of granting short loans was commenced in 1829, to obviate that tightness in the money market which was felt for a month or six weeks before the payment of the dividends, through the gathering in of the taxes into the exchequer. The rate of interest charged was usually about one per cent. less than the discount charged on bills. The loans were repayable to the bank at about the time that the dividends were paid to the public. Notices were issued, stating the rate of interest, and the kind of securities on which loans would be made, and the time of repayment. The first notice was issued on the 3d of December, 1829, and the practice continued until after the passing of the act of 1844.

Advances on deficiency bills are a kind of short loans made to the government, whenever the taxes are less than sufficient to pay the public dividends. These advances seem to be very legitimate. The bank has one large customer. A customer who keeps large deposits will sometimes require large advances. These advances may, peradventure, be wanted at a time when it may not be exactly convenient for the banker to make them. All large accounts may at times be attended with some inconvenience. But if a banker takes such accounts, he must make his arrangements accordingly. In the present case, the bank has the advantage of knowing, by the progress of the lodgments on the "Exchequer account," whether such advance is likely to be required.

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When the government requires these advances, the bank must either make them out of her reserve in the till, or sell public securities to obtain bank-notes, or restrict her advances to other parties. It is peculiarly unfortunate that the government is more likely to require these advances in seasons of pressure, inasmuch as in those seasons the taxes are usually less productive and are less punctually paid. Hence the bank may be called upon to make advances to government at the same time that similar advances are required by the commercial classes. In some cases the bank might not have the means of making advances to both parties. Had the government required such advances in October, 1847, the commercial distress must have been considerably increased.

5. THE RESERVE. — A practical banker would, at first sight, consider this reserve as too large. From the amount and character of the deposits it would not appear that so large a reserve was necessary, and a portion might well be employed in earning interest, instead of lying unproductive in the till. But, before we condemn the bank directors, we must give this matter further consideration. We have already stated, that, even before the passing of the act of 1844, the directors had been in the habit of issuing their notes against gold and silver bullion; and when a large amount of notes had not been thus issued, the deposits in the bank were increased. Now, when this act came into operation, — August 31st, 1844, — the bank had in this way acquired a large amount of gold and silver bullion; indeed, she does not ever before appear to have had so large an amount in the whole course of her history. If we look to those years which preceded pressures (for in these years gold on hand is usually large), we shall find that in 1824 the amount was £ 13,810,080; in 1836 the highest quotation is £ 7,801,000; and in 1838 it is £ 10,126,000; but on the 7th of September, 1844, the amount returned in the issue department is, gold £ 12,657,208, and silver £ 1,694,087, while the sum of £ 9,032,790 was retained in the banking department. Notes, of course, had been issued against all this bullion, and the deposits in the bank had consequently increased. "Well," it may be said, "this will account for the increase of the deposits, but not for the increase of the reserve. Why were not the deposits invested?" We will explain this. There are some classes of investments which the bank directors can make independently of other parties. For instance, they can purchase government stock, exchequer bills, and railway bonds, just as they please. But, as we have stated, it is not prudent in a banker to invest the temporary increase of his deposits in this way, as, when the deposits are withdrawn, he may have to sell these securities at a lower price, and thus sustain loss. There are other classes of investments for which the bank is, to a certain extent, dependent on other parties; such, for example, as the discounting of bills and the granting of loans. The bank directors cannot invest their money in these ways unless there are parties willing to receive it. Now, while a portion of the notes issued against gold and silver bullion are lodged with the bank in the form of deposits, another portion, and sometimes the largest portion, do not go into the bank, but are circulated among the public, and soon find their way into the hands of bankers, bill-brokers, and money dealers, who, from the abundance of money, will

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discount bills and grant short loans at a lower rate of interest than the bank. The bank will, therefore, have no further applications. When her bills and loans fall due, they will be paid, and the amount will go to increase her reserve. Thus it appears that the notes which, in a favorable course of the foreign exchanges, are issued against gold and silver bullion, will tend in two ways to increase the bank reserve; first, by increasing her deposits, and secondly, by diminishing her securities. This will account for the large amount of the reserve. The rule laid down by the directors is, that the reserve should be about one third the amount of the deposits.

Having given these explanations, we shall now proceed to notice the operations of the banking department of the Bank of England since its separation from the issuing department by the act of 1844:—

I. The operations of the Banking Department, from the passing of the act in 1844, to September 5, 1845.

The act came into operation on the 31st of August, 1844, and almost immediately some important changes were introduced. Up to that date the bank had never discounted at a lower rate than four per cent. This rate, in ordinary times, had seldom varied, and all bills discounted at the same time were charged the same rate. But, on the 5th of September, the rate of discount on bills was reduced from four to two and a half per cent., and on notes to three per cent. On the 18th of March, 1845, the bank introduced the principle of a *minimum* rate of discount; fixing two and a half per cent. as the rate on first-rate bills, and charging a higher rate on other bills. The object of these changes was to employ a portion of the reserve in the discount of bills.

This line of conduct was by no means unwarranted by the practice of "other banking concerns." It is an established principle in practical banking, that a banker, when he cannot employ his surplus funds at so high a rate of interest, as he wishes to obtain, should employ those funds at a lower rate, rather than keep them unemployed in his till. And it is also an established practice to charge different rates of discount on different bills, according to the class or character of the bills, the respectability of the parties, the time they have to run, and a variety of other circumstances. In adopting these regulations, therefore, the directors were only performing the work assigned to them, of conducting the banking department "like any other banking concern issuing Bank of England notes."

These changes gave rise, in the parliamentary committees of 1847, to some discussion upon the question as to whether the Bank of England governed the market-rate of interest, or the market-rate of interest governed the bank-rate. There can be but little difference of opinion upon this subject. The "market-rate" of interest is the rate which bankers and bill-brokers charge for discounting first-class bills to the public. When the foreign exchanges are bringing gold into the country, and notes are issued against this gold, the abundance of money in the hands of the bankers and bill-brokers causes the market-rate of discount to fall below the bank-rate. If during this season the bank charges a high rate, she gets but few bills. On the other hand, when gold is going out of the

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country, and money becomes scarce, the market-rate is higher than the bank-rate. If during this period the bank charges a low rate, she must soon limit her discounts, or her reserve will be exhausted. But, though the bank cannot change the course of the current, she can give it increased strength. Though she cannot make money dear when it is cheap, nor cheap when it is dear, yet when it is cheap she can make it cheaper, and when it is dear she can make it dearer. Hence, every alteration in the bank-rate has always an immediate influence on the market-rate.

Such was the case in September, 1844. The large importations of gold had reduced the market-rate of discount to $2\frac{1}{2}$ per cent., while the bank charged 4 per cent. But when the bank reduced her rate to $2\frac{1}{2}$ per cent., the market-rate went down to 2, and even to $1\frac{1}{2}$ per cent. To engage actively in discounting bills was a new feature in the bank management. In 1832, the then governor stated to the committee of the House of Commons, that he thought the bank should be a bank of circulation and of deposit, and only *occasionally* a bank of discount. But the act of 1844 placed the bank in a new position, and led to the adoption of new principles. Formerly the bank had invested her surplus funds in government securities. But when she purchased, the price advanced; and when she sold, the price fell. This produced a fluctuation inconvenient to the public. Often, too, she purchased when the price was high, and sold when the price was low; and thus sustained loss. It was therefore deemed preferable to invest a portion of her reserve in the discount of bills. The sums thus invested would return as the bills fell due, and the reserve could at any time be strengthened by checking the discounts.

The directors having determined to invest a portion of their funds in discounts, it became necessary to reduce their rate of interest to nearly the market-rate, or they would have got no bills.

An eminent London banker, distinguished by his support of the act of 1844, says, — “If the bank is to continue as a large discounting body (of the expediency of which I entertain considerable doubts), I think it very desirable that its rate of interest should conform to the real market value of money.” (*Lords*, 1632.) The directors seemed to think it necessary that they should in some way employ their reserve, in order to prevent the too great accumulation of bank notes in the issue department. (*Commons*, 3009.) We here give no opinion as to the best way of employing the bank’s reserve, but we are quite ready to admit, as the governor admits in reply to a question, that “the true principles of banking are, first, that a bank shall never place itself in such a position as that it shall be unable to meet its liabilities; and next, that it shall employ the whole of its resources at the greatest profit that it can with reference to prudence, looking to its reserve.” (*Commons*, 3722.)

In thus coming into competition with the money dealers, reducing the rate of interest, exciting a feverish state of feeling in the public mind, and giving facilities to the formation of companies for speculative purposes, the bank directors are accused of having violated their public duties as the bank of the government, and thus sacrificed the interests of the nation to

the interests of their proprietors. We shall not meddle with this question. We have here nothing to do with the *public* duties of the bank directors. We are considering the banking department as "any other banking concern." Generally speaking, Providence has so constituted human society, that all banking companies, and all individuals too, will most effectually promote the public interests, when by honorable means they promote their own. If this is not the case with the Bank of England, it must have arisen from the acts of the Legislature; and the fact — if it be a fact — is presumptive evidence against the wisdom and the justice of those laws by which she was placed in that position.

At the close of this period, we find that the London discounts had increased from £113,000 to £2,365,000, and the "City Bonds, &c.," had increased from £3,357,000 to £4,009,000, owing, it is presumed, to the purchase of railway debentures. The circulation of the issuing department had increased from £28,351,295 to £28,953,300 (see the Returns at the end of this section), and the minimum rate of interest charged by the bank was $2\frac{1}{2}$ per cent.

II. The Administration of the Banking Department from September 6, 1845, to September 5, 1846.

During this period there were three alterations in the minimum rate of interest. On October 16th, 1845, it was raised from $2\frac{1}{2}$ to 3 per cent.; on November 6th to $3\frac{1}{2}$ per cent.; and on August 17th, 1846, it was again reduced to 3 per cent. In fixing the rate of discount, the directors took into account the amount of bullion in the issue department, the reserve in the banking department, and the amount of the discounts. The amount of bullion virtually regulated the other two; and thus the interest was governed by the foreign exchanges. At the same time, the directors, as practical bankers, would pay the greatest attention to their reserve, as it was only from this source that any advances could be made. Hence, sometimes one object of raising the rate of discount was to diminish the number of applications. It was thought better to protect the reserve by raising the rate, than by positively refusing to discount.

In the beginning of 1846, a circumstance occurred which increased both the deposits and the discounts of the bank, and added greatly to her profits. The railway companies, who were desirous of obtaining acts of Parliament to authorize the construction of their lines, were required to pay into the Bank of England, within fourteen days of the meeting of Parliament, ten per cent. on the estimated amount of their capital, to be returned when the company had obtained the act, or when the application had been rejected. Every body wondered beforehand how so large a sum could be paid out of the amount of notes then in circulation. But the bank acted with the railway deposits as she had been accustomed to act with the public deposits previous to the payment of dividends. As fast as the money came in, it was lent out; and thus a transaction of large magnitude was effected without much difficulty. This shows the importance of a government bank. Had the deposits been required to be lodged in the exchequer, and there to remain until reclaimed by the railway companies, the operation could not have been effected. The bank could have performed it with greater facility previous to the passing of the act of 1844.

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She could then have lent out her notes *before* the lodgments were required to be made; there would have been no previous apprehensions, nor any tightness during the operation.

III. The Administration of the Banking Department from September the 5th, 1846, to September the 4th, 1847.

In September, 1846, the minimum rate of discount was 3 per cent. On January the 14th, 1847, it was raised to $3\frac{1}{2}$ per cent., and on the 20th of the same month to 4 per cent.; on April the 8th to 5 per cent., and on the 5th of August to $5\frac{1}{2}$ per cent.

During the whole of this period the foreign exchanges were unfavorable, and the circulation of the issuing department declined from £ 29,760,870 to £ 22,396,845. (By deducting £ 14,000,000 from this sum, we see the amount of gold and silver bullion on hand in the issue department.) This was attended by a decline in the reserve of the banking department, and an increase in the amount of loans and discounts.

The bank directors did not raise their rate of discount above 3 per cent. until the month of January, 1847. For this they have been severely censured by parties who have had the advantage of not being compelled to form any opinion until after the result was known. The month of April was an important month. From the deficiency of the harvest, large importations of corn took place. These imports were paid for in gold, which was suddenly withdrawn from the issue department, for exportation.

Contemporaneous with this export of gold, the government required to borrow £ 3,500,000 upon deficiency bills, in order to pay the dividends. Under the old system this might not have been a matter of much importance, but the case was different under the act of 1844. The banking department was rather in danger of getting into what the Americans call a "fix." To avoid this "fix," the directors raised the rate of discount to 5 per cent.; they refused to lend money even upon exchequer bills; they limited their discounts; and they borrowed £ 1,275,000 on consols. These measures caused a severe pressure on the money market, but it soon subsided. From this period the foreign exchanges were favorable to this country.

The operations of this month of April, 1847, have given rise to much discussion.

The advocates of the act of 1844 have pointed to the transactions of this month to prove that the management of the issue department cannot be safely intrusted to the bank directors. They say that if the bank had advanced its rate of interest, they might have prevented the unfavorable course of exchange, and consequently have avoided the pressure which then occurred. On the other hand, it has been stated that the bank ought to be guided in its rates of interest by the amount of its reserve; that from November, 1846, to April, 1847, the reserve was above one third of its deposits, a greater reserve than any other bank would think it necessary to keep; that the demand for gold was so sudden, and for so large an amount, that no ordinary rules could have prevented it; and even had it been prevented, it might have been injurious to the country, as it would have checked the importation of corn, which was then required in consequence of the deficiency in the harvest. There can be no doubt,

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that, under the act of 1844, a sudden exportation of gold must cause a sudden contraction of the amount of notes in circulation. This "self-acting machine" acts by jerks, like a steam-engine without a fly-wheel, and its advocates look to the banking department to supply the fly-wheel, and to cause the machine to move smoothly and equably. It may be doubted whether the banking department has the power of doing this. But when this is not done, the advocates of the act throw the blame upon that department. They resemble the court preceptor, who, when the royal pupil did any thing wrong, inflicted the beating on his fellow-student. If on this occasion the bank did wrong, it may be feared that it was her court connection which led her astray. The government were then negotiating a loan of eight millions for the relief of Ireland. And "there was a feeling in the court that, in the face of the government negotiating a loan, it would be an act of want of courtesy to put up the rate of interest immediately." (*Commons*, No. 3001.) In the secret history of the Bank of England we may possibly find other instances of similar faults. But if on the present occasion she was influenced by such considerations, she did not act "like any other banking concern."

The events of April, 1847, also lead us to remark that the London bankers never vary their rate of discount with a view to regulate the foreign exchanges. If it behoves the banking department to do this, it has certainly to perform duties which are not considered to belong to "any other banking concern." Nor do the London bankers suddenly and abruptly stop discounting for those customers in whom they have confidence. The frequent occurrence of such suspension of loans and discounts as occurred in April, 1847, would form an insuperable barrier to the banking department ever acquiring that kind of business which is carried on by the London bankers. No merchant would like to depend on such a bank for the means of making his daily payments. We believe, however, that most mercantile firms that have a discount account with the Bank of England, have another banking account elsewhere, and some have also accounts with the large bill-brokers.

The pressure that existed in April, 1847, has been attributed to the publication of the amount of the bank's reserve. It was said, and said truly, that the bank might very prudently reduce her reserve for a few days below the average amount, knowing that, by bills falling due, or by other means, she would soon receive a sum that would replenish her coffers. But the public, seeing only the amount of the reserve, and knowing nothing of the sums about to be received, might become unnecessarily alarmed, and hence a panic might ensue. Upon this ground, some parties questioned the policy of publishing the bank accounts in their present form. But the remedy for this is not to suppress the returns, but to circulate throughout the community such an amount of knowledge as shall enable them to judge accurately respecting banking affairs. Other parties, of a higher class than those we denominate the public, have fallen into erroneous opinions by a literal adhesion to these returns. Almost up to the time of the suspension of the act of 1844, it was contended by some who "sit in high places" that there could be no pressure on the commercial classes, since there were *then* more notes in the hands of the

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public than in former seasons when no pressure existed. And before the Parliamentary committees of 1847, it was stated by the governor and deputy-governor that it could make no difference to the public whether the bank advanced three millions, or any other sum, to the government on deficiency bills, or advanced the same sum in loans and discounts to the commercial classes, inasmuch as the returns would show that the amount of notes in circulation would be the same. The events that followed the suspension of the act showed the fallacy of these opinions. It was shown that the amount of notes in the hands of the public is not of itself a certain criterion by which to judge of the amount of banking facilities enjoyed by the commercial classes.

IV. The Administration of the Banking Department from September, 1847, to September, 1848.

During this period the minimum rate of interest was advanced from $5\frac{1}{2}$ to 6 per cent. on the 23d of September; to 8 per cent., by authority of the government letter, on the 25th of October. It was reduced to 7 per cent. on the 22d of November; to 6 per cent. on the 2d of December; to 5 per cent. on the 23d of December; to 4 per cent. on the 27th of January, 1848; and to $3\frac{1}{2}$ per cent. on the 16th of June.

At the commencement of this period a great number of commercial houses failed, not only in London, but also in Liverpool and Glasgow, and other large places. The following is the account given by the Governor of the bank to the committee of the House of Lords:—

“An unprecedented large importation of food, caused by a deficient harvest, required in payment the export of a large amount of bullion, to the extent of about £7,500,000, from the coffers of the bank, and probably not less than £1,500,000 from other sources,—together £9,000,000. From this great reduction in the available capital of the country, in addition to the still larger amount invested in railway expenditure, acting suddenly upon a previous high state of credit and excessive speculation, arose the pressure in the money market. There was an abstraction of £7,500,000 from the bullion held by the bank, and consequently a diminution in the notes to that extent.” (*Lords*, 12.)

During this period the bank acted with great liberality. The following is a list of the advances made between the 15th of September and the 15th of November:—

“1. The Bank of England being applied to by a very large firm in London, who had at that time liabilities to the extent of several millions sterling, advanced £150,000 on the security of debentures to that amount of the Governor and Company of the Copper Miners in England, and thereby prevented them from stopping payment; it was distinctly understood that the operation was for that purpose. 2. The bank advanced £50,000 to a country banker on the security of real property. 3. On the urgent representations of several parties of the first importance in the city of London, the bank advanced £120,000 to the Governor and Company of the Copper Miners, on the guarantee of approved names, taking at the same time a mortgage on the company's property for £270,000 to cover this sum, and the amount of £150,000 debentures before advanced upon; it was stated that the stoppage of this company would have thrown ten thousand people out of employment. 4. The bank advanced £300,000 to the Royal Bank of Liverpool, on the security of bills of exchange, over and above their usual discounts to this bank. This advance unfortunately proved inadequate, and the Royal Bank, having no more security to offer, stopped payment. 5. The bank assisted another joint-stock bank in the country with £100,000 on the security of bills of exchange, over and above usual discounts. 6. The bank advanced £130,000 on real property to a large mercantile house in London. 7. The bank advanced £50,000 to

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another mercantile house on the guarantee of approved names. 8. The bank advanced £50,000 to a joint-stock issuing bank on bills of exchange, and agreed to open a discount account with the said bank, on condition that it should withdraw its issues, but the joint-stock bank stopped payment before the arrangement could be completed. 9. The bank advanced £15,000 on real property to a large establishment in London. 10. The bank assisted, and prevented from failing, a large establishment in Liverpool, by forbearing to enforce payment of upwards of £100,000 of their acceptances, and engaging to give further aid if required. 11. The bank assisted a very large joint-stock bank in the country with advances on loans on bills of exchange to the extent of about £800,000, over and above usual discounts. 12. The bank advanced £100,000 to a country banker on real property. 13. The bank advanced a joint-stock bank in the country £200,000 on the security of local bills, besides discounting £60,000 of London bills. 14. The bank assisted another joint-stock bank in the country with an advance of £100,000 on local and London bills. 15. The bank advanced £100,000 to a large mercantile house in London, on approved personal security. 16. The bank assisted a large house at Manchester to resume payment by an advance of £40,000 on approved personal security. 17. The bank advanced £30,000 to a country bank on real property. 18. The bank assisted many other houses, both in town and country, by advances of smaller sums on securities not admitted by the bank under ordinary circumstances; nor did the bank, during the period in question, reject at their London establishment any one bill offered for discount, except on the ground of insufficient security." (*Commons*, 2645.)

Some of these advances were not made till after the appearance of the government letter on the 25th of October. Up to that date the efforts of the bank were inadequate to allay the pressure, while they largely reduced the bank's reserve. On Saturday, the 23d of October, a deputation from the London bankers waited on the Government, who then determined to suspend the act of 1844; and on the same day gave intimation of their intention to the Bank of England. On Monday morning, a letter appeared from Lord John Russell and the Chancellor of the Exchequer, authorizing the directors of the Bank of England to enlarge their discounts and advances, and promising that if by so doing the existing law should be infringed, the government would apply to the legislature for a bill of indemnity. The letter suggested that these advances should not be made at a lower interest than 8 per cent. The effect of this letter was immediate. Confidence was restored, the hoarded notes were brought into circulation, and discounts were everywhere readily obtained. From these causes no infringement of the act took place.

The state of the bank reserve at the date of the suspension of the act occupied the attention of the Parliamentary committees. On Saturday, the 23d of October, the notes on hand amounted to £1,547,270, and the coin to £447,246. This, it should be remembered, was the amount at the London office and at the thirteen branches put together. At the same time the public deposits were £4,766,000, and the private deposits £8,581,000, of which £1,615,000 belonged to the London bankers. The questions put to the governor on this subject seemed designed to show that the bank, so far from being able to assist others, was not in a condition to meet her own engagements. But the governor contended that the amount of the reserve should be taken on the Friday night, before they were acquainted with the intention of the government to issue their letter. The reserve then was £2,376,000. The directors had from £2,000,000 to £2,500,000 of stock which they could have sold, and a large amount of the bills they held fell due in the following week. From these sources

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they would easily have increased their reserve. On the other hand, some of the witnesses declared that no large amount of stock could have been sold, and that, had a run taken place on the London bankers such as that which had taken place on the banks at Newcastle, the bankers' deposits must have been withdrawn, and the Bank of England itself might have been placed in jeopardy.

As we have considered in a previous section the operation of the act of 1844, it is not necessary to pursue this subject any further. After the government letter was issued, the bank still continued to make advances with caution, and, with the view of not infringing the act, they borrowed money on the Stock Exchange at seven per cent., though they had the unlimited power of issuing notes.

Soon afterwards the gold began to return, and money became abundant. From the high rate of interest, the amount imported was large; and, from trade having been paralyzed by the pressure, the demand for it was very small. As the gold increased, the bank rate of interest was reduced. By September 2d, 1848, the circulation of the currency department amounted to £26,883,505, and the bank reserve to £9,410,952.

The following is a copy of the official returns for the four years that have passed under review. To show the further progress of the bank since September, 1848, we have added the returns for the week ending the 2d of February, 1849:—

BANK OF ENGLAND WEEKLY RETURNS.

Account, pursuant to Act 7 and 8 of Victoria, cap. 32, for the weeks ending as follows.

ISSUE DEPARTMENT.						
	1844, Sept. 7th.	1845, Sept. 6th.	1846, Sept. 5th.	1847, Sept. 4th.	1848, Sept. 2d.	1849, Feb. 2d.
	£	£	£	£	£	£
Notes Issued, . .	23,351,295	23,953,300	29,760,870	22,396,845	26,883,505	23,330,845
Government Debt,	11,015,100	11,015,100	11,015,100	11,015,100	11,015,100	11,015,100
Other Securities, .	2,984,900	2,984,900	2,984,900	2,984,900	2,984,900	2,984,900
Gold Coin and Bullion,	12,657,208	12,982,591	13,057,997	7,373,815	12,177,567	13,828,773
Silver Bullion, . .	1,694,037	1,970,709	2,702,873	1,023,030	705,933	502,072
	£23,351,295	£23,953,300	£29,760,870	£22,396,845	£26,883,505	£23,330,845

BANKING DEPARTMENT.						
LIABILITIES.	1844, Sept. 7th.	1845, Sept. 6th.	1846, Sept. 5th.	1847, Sept. 4th.	1848, Sept. 2d.	1849, Feb. 2d.
	£	£	£	£	£	£
Proprietors' Capital,	14,553,000	14,553,000	14,553,000	14,553,000	14,553,000	14,553,000
Rest,	3,564,729	3,603,180	3,864,479	3,936,593	3,826,332	3,576,625
Public Deposits,* .	3,630,909	6,474,705	7,318,919	7,722,704	5,021,591	3,922,307
Other Deposits, . .	8,644,343	8,507,213	8,657,109	6,791,373	8,824,607	11,323,544
Seven-Day and other Bills,	1,030,354	1,021,639	935,830	842,711	1,016,921	1,144,824
	£31,423,240	£34,164,737	£35,229,337	£33,896,381	£33,242,601	£34,625,300

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

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RESOURCES.	1844, Sept. 7th. £	1845, Sept. 6th. £	1846, Sept. 5th. £	1847, Sept. 4th. £	1848, Sept. 2d. £	1849, Feb. 2d. £
Government Securities,*	14,554,634	13,463,613	12,561,735	11,636,310	12,462,735	13,882,267
Other Securities,	7,533,616	11,967,081	12,823,550	17,503,119	11,363,814	10,314,654
Notes,	8,175,085	8,255,505	9,231,095	4,189,530	8,784,795	9,553,460
Gold and Silver Coin,	857,765	473,653	512,957	562,092	629,157	774,919
	£ 31,423,940	£ 34,164,787	£ 35,229,337	£ 33,896,381	£ 33,242,501	£ 34,525,300

We have thus taken a review of the first four years of the proceedings of the Banking Department of the Bank of England. Whatever may be the future operations of that department, this portion of its history will always be interesting. This period is remarkable also as containing one of those monetary cycles to which we must always be liable as long as our currency is regulated by the act of 1844. Each year has a peculiar character. The first commenced at a period of full currency; money was abundant and cheap, the minimum of the bank-rate being $2\frac{1}{2}$ per cent. In the second year the exchanges fluctuated, and the rate of interest fluctuated also. During the whole of the third, the exchanges were unfavorable; gold was exported, and the rate of interest advanced. At the commencement of the fourth year came the pressure; then a favorable course of exchange brought back the gold, the rate of interest was reduced, and again money became abundant.

This period is, moreover, important as an indication of the principles on which the banking department will hereafter be governed. The governor and deputy-governor were examined before the Parliamentary committees in March, 1848. They stated that they approved of the reduction of interest in September, 1844; but they expressed regret that the bank had not advanced the rate of interest in November, 1846, and that they suffered the reserve to fall so low in October, 1847. Should these sentiments be acted upon in future, we may expect that the "banking department" will reduce its rate of interest as heretofore; but when money becomes scarce, it will advance its rate at an earlier period, and be less liberal in making advances.

The following question was put to the governor by a member of the committee of House of Commons:—"You have described as part of the operation of the act of 1844, that you were during the year 1847 obliged to lend consols instead of notes, on account of the limit prescribed by the act; that you borrowed on consols in April; that you were obliged to raise the rate of interest to 9 per cent.; that you refused loans on exchequer bills; that there was a pressure in April and a panic in October; and that Government were obliged to interpose by a letter, in order to protect the public from the restrictive effects of the act: Do you call that a satisfactory history of any system?" (*Commons*, 3450.)

We must, however, distinguish between the "system" as established by the act of Parliament, and the administration of the banking department in consequence of the establishment of that system. We have given in the preceding section our opinion of the system. But the ad-

* Including Dead Weight Annuity.

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ministration of the Banking Department of the Bank of England under the system has, in our sober judgment, been distinguished by a high degree of both wisdom and liberality.

The administration of the banking department since September, 1848, does not call for any particular remark. We have had the usual indications of the first stage after a panic. The bullion in the issue department has increased from £ 12,883,505 to £ 14,330,845; the notes in reserve from £ 8,784,795 to £ 9,553,460. Money has been abundant, and the rate of interest low. On the 2d November, 1848, the bank reduced the minimum rate of discount to 3 per cent. This would probably have been done at an earlier period but for the political aspect of the continent. The same reason possibly has induced the directors to maintain the same interest to the present time (February, 1849), although this appears to be an abandonment of the principle adopted in the year 1844.

SECTION X. — THE ADMINISTRATION OF JOINT-STOCK BANKS, WITH INQUIRY INTO THE CAUSES OF THEIR FAILURES.

THE chief points in which a joint-stock bank differs from a private bank are, the number of its partners, the permanency of its capital, and the form of its government. A private bank has not more than six partners; a joint-stock bank may have a thousand partners. If a partner in a private bank die, or become insolvent, his capital is withdrawn from the bank; in the case of a partner in a joint-stock bank, his shares are transferred, and the capital of the bank remains the same. In a private bank all the partners may attend to its administration; a joint-stock bank is governed by a board of directors. The business principles on which these two kinds of banks are administered are the same, and the observations of the preceding sections will equally apply to both. The topics, therefore, to which we shall in this section more particularly direct our attention, will be those that have a special reference to the constitution of joint-stock banks. We shall describe these banks as they now exist, and then notice those modifications which are imposed on new banks by the "Act to regulate Joint-stock Banks" (7 and 8 Vict., cap. 113), passed in the year 1844. After the 6th of May, 1844, it was not lawful for any new company of more than six persons to carry on the trade or business of bankers *in England*, unless by virtue of letters patent to be granted by her Majesty according to the provisions of that act.

I. All joint-stock banks have a certain amount of paid-up capital.

The payment of a certain portion of the capital before the commencement of business, is a pledge that the project is not a mere bubble, and this is especially necessary when the proprietors have no further liability. But even with unlimited liability a certain amount appears to be necessary. The employment of capital judiciously is sometimes a means of acquiring business; and in case of loss, there should always be a sufficient capital to fall back upon without recurring to the shareholders.

There is an evil in a bank having too small a capital. In this case, the bank will be but a small bank; the number of proprietors will be few, and the number of persons eligible to be chosen directors will be few; hence there will not be the same guarantee for good management. If a bank with a small capital have also a very small business, it had much better cease as an independent establishment, and become the branch of a larger bank. If, on the other hand, it has a large business, with a large circulation, large deposits, and large loans or discounts, its losses will sometimes be large, and hence the whole capital may be swept away. It is true, that while it avoids losses, the shareholders will receive large dividends, but these large profits had much better be left in the bank as an addition to its capital, than shared among the proprietors in the form of dividends. There is danger, too, that the high premium on those shares may induce many shareholders to sell out and form other, and perhaps rival, establishments.

On the other hand, there is an evil in a bank having too large a capital. In this case, as the capital cannot be employed in the business, the directors are under the temptation of investing it in dead or hazardous securities for the sake of obtaining a higher rate of interest; perhaps, too, they may speculate in the funds, and sustain loss. Hence it is much better that a bank should commence business with a small capital, and increase the amount as the business may require.

It is difficult to state in all cases what proportion a capital ought to bear to the liabilities of a bank. Perhaps the best criterion we can have is the rate of dividend, provided that dividend be paid out of the business profits of the company. When we hear of a bank paying from fifteen to twenty per cent. dividend, we may be assured that the capital is too small for the business. The liabilities of the bank, either in notes or deposits, must far exceed the amount of its capital. As a general maxim, the greater the capital the less the dividend. Let the whole capital be employed at any given rate of interest, say three per cent., then the capital raised by notes or deposit, produce, after paying all expenses, a certain sum as profit. Now, it is evident that if this amount of profit be distributed over a large capital, it will yield a less rate per cent. than when distributed over a small capital. Sometimes, however, a large capital may have increased the rate of dividend, in consequence of having been the means of acquiring a large increase of business. It may have done this in consequence of inspiring the public with confidence in the bank, and thus inducing them to make lodgments or circulate its notes; or it may have enabled the bank to make large advances, and thus gained the support of wealthy and influential customers.

Although the proportion which the capital of a bank should bear to its liabilities may vary with different banks, perhaps we should not go far astray in saying it should never be less than one third of its liabilities. I would exclude, however, from this comparison all liabilities except those arising from notes and deposits. If the notes and deposits together amount to more than three times the amount of the paid-up capital, the bank should call up more capital. It may be said, that the bank is liable also for its drafts upon its London agents, and for the payment of those

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bills which it has indorsed and reissued: admitted; but in both these cases the public have other securities besides that of the bank.

Presuming that banks are to commence with a moderate amount of capital, and to increase that amount as the business increases, the question is suggested, what is the best way of increasing the capital? The English banks have followed two ways of doing this; one, by a further issue of shares; and the other, by further calls upon the existing shareholders. The capital of all the joint-stock banks in England is divided into certain portions, called shares; each proprietor holds a certain number of these shares, and pays a certain sum upon them. If he wishes to transfer a portion of his capital he cannot transfer a half share or a quarter share, but must transfer a whole share, or a certain number of shares. Thus, if the capital of a bank be £500,000 it may be divided into 5,000 shares of £100 each, or 50,000 shares of £10 each, and a certain proportion of the amount of each share will be paid up; and this proportion is called the real or the paid-up capital. Thus, if one-tenth of the above capital is paid up, then £50,000 will be the real or paid-up capital, and £500,000 will be called the nominal capital. In the chartered banks, on the other hand, there is usually no nominal capital, and the real capital is not divided into shares or portions, but any fractional sum may be transferred. The capital is then called stock. When there is no nominal capital, nor any way of increasing the amount of the real capital, this is the best way. But, in the other case, it is more convenient to have the capital divided into shares.

Some persons have objected altogether to a nominal capital; but their objections have been directed more to the misrepresentations that may attend it, than to the thing itself. They say, "a bank announces that it has a capital of £500,000, whereas few shares are issued, and but a small sum is paid on each share; hence people are misled, and the bank acquires a confidence which it does not deserve." The objection here is against representing the nominal capital to be paid-up capital; it does not bear upon the principle of a nominal capital. In fact, we are misled by words. What is called nominal capital, is nothing more than a further sum, which the directors have the power of calling up. If this sum had not been called capital, it would not be objected to, as it could lead to no misapprehension. But the inquiry simply is, ought the directors to have the power of calling upon the shareholders for a further amount of capital beyond that already paid up? Were they not to have the power, the bank would at its commencement probably have too large a capital, and after its business had advanced would have too small a capital. And if the bank, by any unforeseen occurrence, became involved, and should have occasion for further sums to extricate itself from its difficulties, it could not make any further call upon its shareholders, although a very small advance might prevent its utter ruin. In case of a very large capital, such as two or three millions, a nominal capital may not be necessary, as so large a sum is likely to be in all cases amply sufficient. But in banks of a second class, it will always be best to give the directors the power of making further calls upon the shareholders.

The second way of increasing the capital of a bank is, by the issue of

new shares. The whole amount of shares to be issued is fixed in the first instance, and the bank commences as soon as a certain proportion has been issued. If the bank were not allowed to commence business until the whole of the shares were taken, a small amount would be fixed upon, and the bank would be proportionably weaker. But by beginning with a small number of shares, you have capital enough for your business, and you acquire more as you proceed. Many persons will join a bank after it is established, who would not take shares at the commencement. Some shares are therefore reserved for persons of this description; and as the shares are more valuable when the success of the undertaking is no longer doubtful, they are often given out at a premium, and always a greater degree of caution is exercised as to the persons to whom they are distributed.

Some members of the Parliamentary committee of 1836 appear to have an objection to shares of a small amount; they apprehend that these shares are taken by an inferior class of persons; and hence the body of proprietors are less respectable. But it would appear from the returns that the general effect of small shares is, that each shareholder takes a greater number. Thus in the banks of £ 100 shares, each proprietor has taken upon an average twenty-eight shares, on which he has paid the sum of £ 444. In the banks of £ 20 shares, each proprietor has taken forty-three shares, and paid £ 359. In the banks of £ 10 shares, each proprietor has taken fifty-two shares, and paid £ 400. While in the only bank of £ 5 shares, each proprietor has taken 117 shares, and paid £ 585. It appears to me that the chief objection to which small shares are liable is, that they do not admit of a large amount of nominal capital. The banks of £ 5 and £ 10 shares have usually the whole capital paid up; and hence, in case of necessity, the directors have no power to call for a further amount. Could the Northern and Central Bank have made a call upon their shareholders of £ 5 per share, this bank might have been saved from destruction.

According to the new act above referred to, no bank can now be formed with a less capital than £ 100,000; and the shares must not be less than £ 100; of which 10 per cent. must be paid up before the signing of the deed of settlement; and all the shares must have been subscribed for, and half the amount paid up, before the bank commences business.

II. Joint-stock banks are governed by a board of directors.

"The directors are chosen from among the shareholders at a general meeting; the pecuniary qualification being that they hold a stipulated number of shares in the company.

"There are several points of view in which a man becomes eligible as a director of a bank, independent of his qualification as the holder of the required number of shares. Indeed, his qualification as a shareholder merely must not be taken into the account.

"1. He ought, in the first place, to be a man enjoying public confidence. Unless he is a man whom the community contemplate as deserving of their confidence and esteem, it is not presumable he can be of much service to the bank, either by his influence or character. The

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public are not likely to deposit their money in an establishment where they cannot place the fullest reliance upon the directors; and, for the same reason, parties of respectability will not readily be induced to open accounts with the bank.

"2. He ought to be a man possessing a knowledge of commercial business. It is a matter of great importance to the satisfactory and efficient management of a bank, that those to whom is intrusted the direction of its affairs, be in some measure conversant with the ordinary affairs of trade. Men who are retired from business are unquestionably the most eligible, not merely from their business knowledge, but because they are not apt to be contemplated with that suspicion, jealousy, and distrust which tradesmen will sometimes exercise towards such directors of a bank as are likewise engaged in trade. But retired men of business are not readily to be had as directors of a bank, nor are they in most cases disposed to accept of such an office. Where such is the case, men of high standing and character, engaged in trade, should be sought for.

"3. A bank director should be a man of strict integrity and uprightness. This is a qualification perfectly indispensable to the welfare of the bank. He must be above all trafficking in the stock of the company, or taking any undue advantage over the other shareholders through his intimate knowledge of the state of their affairs as regards the bank. He must never for a moment forget, that while he is a partner in the concern, and, as an honest man, is bound to conduct it in as faithful and diligent a manner as he would his own private affairs, that he is at the same time appointed to a solemn trust, in having the interests of numerous others, equally interested with himself, under his management and control. In fact, unless the director of a bank is a man of strict integrity, he is placed in a position calculated to be productive of great mischief. He is invested with power to ruin the fortunes of others, and to inflict much commercial evil upon the community. Where there is a want of integrity, there is a want of principle, and the bank must necessarily be mismanaged.

"4. A bank director should be a man of influence and respectability. He ought to be a man well known and respected in the district. Such a man is desirable in a variety of ways. He adds his own personal respectability to the establishment, and he influences the favor and support of his friends and acquaintances. His standing in society gives the public confidence in the establishment with which he is connected, and they bring their money and business to its support; the paper of the bank becomes more readily current in the district, and the weight of his influence destroys any suspicion of its stability.

"5. A bank director should be in good pecuniary circumstances. It would be a most wholesome regulation, were it stipulated in all deeds of settlement, that no bank director should be privileged to overdraw his account. The great facilities which directors enjoyed of raising money from overdrawing their bank accounts, have, in some instances, resulted in extensive commercial disasters, and in the total wreck of large establishments. The temptation to speculations of all descriptions which such facilities hold out, necessarily increases the risk of the bank, and induces

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a less rigid inspection of the accommodation afforded to other customers. Where those who are intrusted with the management of the bank forget the extent and importance of the trust reposed in them, and begin to enter into unwarrantable speculations with the funds committed to their care, it is not supposable that they will be particularly scrupulous as to the general management of the affairs of others.

"6. A bank director should be one who can bestow some attention upon the affairs of the establishment. It has appeared in evidence that gentlemen have been appointed, and have accepted the office of directors of banks, who gave little or no attention to the affairs; who, in fact, appear to have considered that the office of director was conferred on and accepted by them more for the purpose of complying with the letter of the deed of settlement, which enjoined the appointment of a certain number of directors, than from any idea of their being expected, or of its being necessary for them, to know any thing regarding the management. The consequence of this has been, that the duties which the shareholders devolved upon, perhaps, six individuals, were confined to two, or possibly only one, and the others approving, without suitable knowledge or proper inquiry, of all their acts, the mass of shareholders, as well as an extensive commercial circle, have been involved in the disastrous results of mismanagement. It is altogether an anomaly that any man, or body of men, should have the credit, honor, and distinction of being managers and directors of a bank, and yet not exercise any of the active functions and important duties that relate thereto. Upon what principle can they undertake, as by accepting the office they unquestionably do, to discharge a solemn trust, in faithfully administering the affairs of a bank, into which they make it no part of their business to look? Were the fact not very well known, it would seem absurd; yet it is not the less absurd that it is known." (*Philosophy of Joint-Stock Banking*, by G. M. Bell.)

Mr. Taylor, in his "*Statesman*," makes the following observations upon the *age* of members of public boards:—

"Boards, or other coöperative bodies, should be so formed that youthfulness and elderliness may meet in due proportion in their counsels. If any such body be wholly composed of elderly men, it will commonly be found to be ineffective, so far as invention of new courses and intrepidity of purpose are required, and, perhaps, also unequal to any unusual amount of spontaneous activity. If, on the other hand, it be composed wholly of young men, its operations will probably be wanting in circumspection; and the foresight by which it will be guided will be too keenly directed to the objects of a sanguine expectation, too dully to prospects of evil and counteraction. The respective positions in life of the young and the old operate to these results not less than their temperaments; for the young have their way to make, their reputation to earn, and it is for their interest to be enterprising, as well as in their nature; the old have ascertained their place in life, and they have, perhaps, a reputation to lose."

The new act requires that provision shall be made in the deed of partnership "for the retirement of at least one fourth of the directors yearly, and for preventing the reëlection of the retiring directors for at least twelve months."

III. Joint-stock banks have a principal officer, called a manager.

"The prudent and satisfactory management of a joint-stock bank very materially depends upon the upright and consistent discharge of those so-

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cial duties and reciprocal interchanges of confidence which ought to characterize the directors and manager.

“The manager, from his experience, and the importance of the office he fills, is entitled to the kind consideration and entire confidence of the directors. He is selected by them to occupy an arduous and highly responsible situation, and ought to be rewarded, not merely with an adequate pecuniary remuneration, but with the respect and friendship of the directors, by whom he should be considered in every respect, so far as regards the bank, at least upon an equally elevated footing. Without the confidence and friendship of the directors, he can neither take his place at their meetings free from restraint, discuss with them matters relating to the welfare of the establishment with composure, nor appear before the customers with that satisfaction and independence which is required to the proper discharge of his duties. Having placed him in the position of manager of the bank, it is their duty always to contemplate him in that light, to respect and confide in his opinions and conduct, which in many cases have been formed by long years of active and arduous employment in the profession; and to speak well of him among their friends and acquaintances. In the degree in which the manager is respected, and well spoken of by the directors, will respect and confidence be extended to him, and consequently to the establishment, by the public, and a good opinion entertained of their judgment and discernment in his selection.

“The conduct of the manager ought to be characterized by great circumspection and uprightness. He ought, unquestionably, in every instance, to be chosen for his business qualifications, and not because he is a rich man, a gentleman, a man of fashion, or a man with an extensive circle of friends. To choose him on account of any one of these qualifications, and not principally from his practical experience of banking, would be similar to appointing a man to the care and management of a steam-engine, who knew nothing of its mechanism, nor the nature of its operation, but was recommended solely because he had a taste for travelling; or it would be like placing a man at the helm to pilot a vessel over quicksands, and through a reef of rocks, who knew nothing of a seafaring life, but was fond of contemplating the grandeur of the elements. The manager of a joint-stock bank ought to be chosen exclusively for his experience in banking; other qualifications are well enough in their own place, but ought never to be taken into consideration in choosing a person to act as manager of a bank. In this way a stimulus is given to persons of talent, who may be looking forward to the reward of a life of toil and drudgery; and thus merit is patronized and protected. In a well-regulated office no one will be promoted over the head of another, but a prudent selection being made at the outset, a system of regular promotion should be uniformly practised.

“The manager of a bank may be contemplated in three important points,—in his intercourse with the customers and the public; with the directors; and with the subordinate officers of a bank. In each of these departments he has important duties to perform. He must be scrupulously diligent in his attention to the affairs of the bank, courteous in his interviews with the public, affable and unreserved in his communications with

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the directors, and kind and conciliating towards the subordinates of the bank, treating them as those who may be one day placed in a similar situation with himself. The days are now gone past when a man of business was considered in the light of a machine, a mere automaton for the purpose of forming figures and casting up accounts; but it is still necessary, enlarged as our views of the powers and capabilities of the human mind are, in order to the proper management of any business, that it be carefully attended to. The manager of a joint-stock bank, being allowed a competent salary, cannot be justified in occupying his time with any other employment which may occasion his absence from the duties of the bank. But it is not intended to insinuate that he must be a man of one idea, and restrained from turning his mental acquirements to his own amusement or profit. This would be as absurd as it would be unreasonable. Nor is it meant that a man of business may not be also a man of great erudition, and, it may happen, of literary and scientific eminence. On the contrary, it cannot be denied that, in the present day, this is often the case. What is contended for is, that the bank is entitled to, and ought to have, his close and chief attention.

“As it is obvious that he cannot manage any other trade or profession, without sacrificing or delegating more or less the duties he owes to the bank, it seems also very doubtful whether he can be justified in taking a prominent part in public or political affairs. There are two arguments against his being a public character: the first is, that he may be drawn away during the hours of business; the second, that, by becoming a partisan, he is certain of being more or less obnoxious to a portion of the inhabitants, and, it may be, of the bank’s customers. A man whose mind is occupied in framing political speeches, in promoting political schemes, and whose time is partially given to political, magisterial, or other meetings, cannot possibly, from the exciting nature of such subjects, give that cool, deliberate, and uniform attention to the duties of the bank which they necessarily require.

“The customers ought always to be treated with civility and kindness, their business transacted promptly and cheerfully, and every inquiry regarding their accounts, or any matter of business, readily and satisfactorily explained. When an accommodation is to be declined, it ought to be done in as polite and inoffensive a manner as possible, the manner of a refusal being of paramount moment to the character of a manager.

“The shareholders, being, in other words, the proprietors of the bank, are to be received with that freedom and confidence which is due to their character as such, but without compromising or revealing to them either the business and accounts of each other, or of the customers of the bank.

“Next to being secret and cautious, a manager ought to be prompt and decided in all his measures, free from party influence, and firm in his purpose. A habit of promptitude and decision is very essential to the proper regulation of the business of a bank, and acquired by forethought and circumspection. It is, perhaps, a constitutional virtue which cannot be enjoyed by every one in the same degree, but it is nevertheless a virtue which every one may acquire by proper attention. Nothing makes a manager look more silly and contemptible than a hesitating, dubious, and

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capricious manner. His answer ought to be prompt and satisfactory ; he should be sufficiently acquainted with business to say at once whether an act can be done or not, and should appear free from restraint, and not disposed to alter an opinion when once formed." (Bell's *Philosophy of Joint-Stock Banking*.)

IV. In joint-stock banks the administrative functions are usually distributed between the directors and the manager.

With reference to both private and joint-stock banks, the distribution of the administrative functions is a most important topic of inquiry. By what parties ought these functions to be exercised ? We have spoken of "the banker," as though a bank consisted of only one person, and this one person administered all the powers and functions of the bank. But few banks consist of only one person. One class of banks consists of two, three, four, five, or six persons, some or all of whom attend to the practical administration of the bank. Another class of banks consists of a great many, it may be of several hundred persons, who appoint some dozen or score of their own number to administer the bank on their behalf.

But how many soever the number of partners may be in a bank, the administrative functions are in fact practically exercised by a small number of persons. A private bank may consist of as many as six partners, but it is rarely, we believe, that so many as six are actually engaged in the business. When more than one are thus employed, their duties may be distributed according to their seniority or other circumstances. In ordinary matters there may be a division of labor, and each partner may preside over a distinct department of the business. But in all important cases there is usually one leading partner who practically guides the others. When a bank has risen speedily to eminence, it has generally been through the talents of some one man. It does not follow that this one man did not receive great assistance from the advice or suggestions of his partners. It is the part of a wise man to avail himself of the knowledge and wisdom of others ; and he will often gather much useful information from men far below himself in general talents. There is, perhaps, more uniformity, consistency, and energy in the proceedings of a bank managed by a few partners, than by many. On the other hand, banks have sometimes been ruined by placing too much power in the hands of one or two of the partners.

In a joint-stock bank, though the number of directors may be large, the daily exercise of the administrative power is practically in the hands of a few persons. In some banks this power is vested solely in the manager ; sometimes in one or two managing directors ; sometimes in a permanent committee of two directors and the manager ; and in other cases, in a changeable committee, on which each member of the board takes his rota of service for two or three weeks in succession. In all cases, however, the board of directors lay down the general principles on which the bank is to be administered ; reports are made to them at their weekly meeting, of the actual condition of the bank in all its departments, and all very important matters are reserved for their special consideration.

V. Some joint-stock banks have many branches.

When the law existed in England that no bank should have more than six partners, the branch system scarcely existed. In some cases, a bank had a branch or two a few miles distant, but no instance occurred of a bank extending itself throughout a county or a district. But with joint-stock banking arose the branch system; the head office was placed in the county town, and branches were opened in the principal towns and villages around. The credit of the bank being firmly established, its notes circulated freely throughout the whole district. The chief advantages of this system are the following:—

There is greater security to the public. The security of the whole bank is attached to the transactions of every branch; hence there is greater safety to the public than could be afforded by a number of separate private banks, or even so many independent joint-stock banks. These banks could have but a small number of partners, the paid-up capital and the private property of the partners must be comparatively small; hence the holder of a note issued by one of the independent joint-stock banks could have a claim only on that bank: but if that bank, instead of being independent, were a branch of a large establishment, the holder of a note would have the security of that large establishment; hence the branch system unites together a greater number of persons, and affords a more ample guarantee.

The branch system provides greater facilities for the transmission of money. The sending of money from one town to another is greatly facilitated, if a branch of the same bank be established in each of those towns, for all the branches grant letters of credit upon each other. Otherwise you have to ask the banker in the town from which the money is sent, to give you a bill upon London, which is transmitted by post; or you request him to advise his London agent to pay the money to the London agent of the banker who resides in the town to which the money is remitted. This takes up more time, and is attended with more expense. A facility of transmitting money between two places usually facilitates the trade between those places.

The branch system extends the benefits of banking to small places where independent banks could not be supported. An independent bank must have an independent board of directors, who in most cases will be better paid; the manager must have a higher salary, because he has a heavier responsibility, and a large amount of cash must be kept unemployed in the till, because there is no neighbouring resource in case of a run. There must be a paid-up capital, upon which good dividends are expected; a large proportion of the funds must be invested in exchequer bills, or other government securities, at a low interest, in order that the bank may be prepared to meet sudden calls; and the charge for agencies will also be more. On the other hand, a branch has seldom need of a board of directors, one or two being quite sufficient; the manager is not so well paid; there is no necessity for a large sum in the till, because, in case of necessity, the branch has recourse to the head office, or to the neighbouring branches; nor is a large portion of its funds invested in government securities that yield but little interest, as the head office takes charge of this, and can manage it at a less proportional expense. Besides,

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at some branches the manager attends only on market days, or once or twice a week. The business done on those days would not bear the expense of an independent establishment.

The branch system provides the means of a due distribution of capital. Some banks raise more capital than they can employ; that is, their notes and deposits amount to more than their loans and discounts. Others employ more capital than they raise, that is, their loans and discounts amount to more than their notes and deposits. Banks that have a surplus capital usually send it to London to be employed by the bill-brokers. The banks that want capital must either restrict their business, or send their bills to London to be re-discounted. Now, if two banks, one having too much, and the other too little capital, be situated in the same county, they will have no direct intercourse, and will consequently be of no assistance to each other: but if a district bank be established, and these two banks become branches, then the surplus capital of one branch will be sent to be employed at the other, thus the whole wealth of the district is employed within the district, and the practice of re-discounting bills in London will be proportionably diminished.

The branch system secures a better system of management. The only way to secure good management is to prevent the formation of small banks. When banks are large, the directors are men of more wealth and respectability; they can give large salaries to their officers, and hence can command first-rate talent; there will be a more numerous proprietary; and in a large number there will be always some active spirits who will be watchful of the conduct of the directors and the manager; besides, in a numerous proprietary there is a greater number of persons eligible to be directors, and consequently there is a wider choice. In populous cities, such as London or Manchester, a large bank may be formed without branches; but in smaller places there is no way of forming a large bank but by giving it branches throughout the district. A branch bank in a small town will probably be better managed than an independent bank in the same place. The directors and manager of the branch will be appointed by the directors at the head office, assisted by the general manager, who are very competent to judge what qualifications are necessary for these offices, and who would not be biassed by local partialities. But the directors of the independent bank would most likely be self-appointed, or chosen by the proprietors, because no others could be obtained, and these directors would appoint some friend of their own to be manager. The manager of the branch, besides the superintendence of the directors, which he has in common with the manager of the independent bank, will be subject to visits from the general manager or the inspector; and he must send weekly statements of his accounts to the head office. The consciousness of responsibility will thus secure a more anxious attention to his duties; and besides, he will probably be looking forward for promotion to a higher branch as a reward for his successful management. These circumstances seem to insure a higher degree of good management to the branch.

At the same time, it must be admitted that banks with numerous branches require a proportionate paid-up capital, and that the capital be

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kept in a disposable form ; it also requires vigilant and constant inspection, and a rigid system of discipline.

A proportionate paid-up capital is necessary, because, in case of a run, there are a greater number of points of attack ; hence the funds must be divided to meet all these possible attacks, for if one branch be overpowered, the whole bank is immediately exposed to suspicion.

Another danger arises from the incompetency or negligence of the managers of branches. Among a number of men, it is not likely that all are clever, and all prudent ; and one case of neglect on the part of one manager may, in times of alarm, throw discredit on the whole establishment. Besides, there is sometimes danger even from the zeal of the branch managers. Each manager is naturally anxious to increase the business of his own branch ; and he will perhaps find that the most easy way of doing this is to extend his loans and discounts. Hence each manager tries to employ as much capital as he can ; and the urgent remonstrances he receives from head quarters, requiring him to restrict his discounts, are either evaded or delayed. Thus the bank proceeds until some heavy demand for money arises at head quarters, and it is then found that all the capital of the bank had been absorbed by the branches. These advances cannot be suddenly recalled, and thus the bank may be ruined.

What number of branches a bank ought to have, and what distance they ought to be from the head office, have been the subject of much discussion. No general rules can be given. The subject may very safely be left to the discretion of the banks themselves. Several of the banks in Scotland have from thirty to forty branches. The Provincial Bank of Ireland, whose head office is in London, have branches spread all over Ireland. I am not aware that in these cases any danger or inconvenience has been experienced. When branches are found troublesome or unprofitable, they will very soon be discontinued. In some instances, even in Scotland, the branches of the larger banks have been withdrawn in consequence of being unable to sustain a competition with the local banks of the district.

Had the act of 1826 permitted joint-stock banks of issue to be established in London, we should probably by this time have had ten or a dozen banks having their head quarters in London, and extending their branches throughout the country. But as the law prohibited joint-stock banks being established within sixty-five miles of London, it necessarily gave rise to banks occupying particular districts in the country. The advantages which are alleged to belong to the district system are the following : — That the bank will be better adapted to the wants and habits of the people ; that a local feeling will be excited in its favor, hence the inhabitants of the district will take shares, and the occurrence of runs upon the bank will be less probable ; that a better system of management may be expected, as it can more easily be governed, and will be more under control ; that a panic in the district will not affect the other parts of the country, and hence supplies may be more easily obtained ; that banks will be of a moderate size, and hence will be attended with the advantages arising from numerous banks acting as checks upon each other, instead of a few large banks who may combine for objects injurious to the nation ;

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and that as each bank will have an agent in London, the bills they draw will thus have two parties as securities, and the public will have a pledge that there is no excessive issue in the form of kites or accommodation bills. On the other hand, it may be contended, that in Scotland the large metropolitan banks which have branches extended throughout the country, have generally been more successful than the provincial or district banks; that there is a greater security to the public for the notes or deposits; that advances are not so likely to be made to speculative parties merely on account of their local influence; that the capital raised in one part of the country can be employed in another; that the transmission of money from one part of the country to another is more rapid and direct; that the establishment of the bank, being on a larger scale, you have a superior class of directors, and can command the services of higher talents in those who are employed as officers.

It does not appear that these two systems are necessarily at variance with each other. County or district banks have no doubt many advantages, but they do not seem to supersede banks on a larger scale.

VI. Joint-stock banks have an annual meeting of shareholders, to whom is usually exhibited a balance-sheet showing the assets and liabilities of the bank.

All banks do not exhibit a balance-sheet. The practice is said to be open to the following objections:—

1. That it is not a fair criterion by which you can form any judgment of the real condition of the bank. You might see that the bank had a certain amount of securities, or had advanced a certain sum upon loans; but whether those securities were available, or whether those loans could suddenly be called up, are points upon which the balance-sheet could give no information. The Agricultural and Commercial Bank of Ireland published a very satisfactory balance-sheet a few weeks only before they stopped payment.

2. It lays the bank open to attacks from its rivals or opponents. The balance-sheet will show in what way the funds of the bank are employed, but it will not state the reasons why they are so employed. The opponents of the bank may attack every item of the balance-sheet, and the directors may not be able to repel those attacks without a breach of confidence that would be injurious to the establishment. Suppose, for instance, the balance-sheet should show that the bank had advanced a few thousand pounds upon mortgage. This might be justly considered as a departure from the sound principles of banking; yet it might in this case be justified by some peculiar circumstances, which, nevertheless, the directors could not publish without serious injury to the parties concerned. The production of a balance-sheet is advocated upon the ground that it would enable the shareholders to judge of the ability and prudence of the directors. But how can they do this without knowing the reasons by which the directors are influenced in their decisions?

3. It causes a great deal of speculation in the shares. The shareholders and the public would form their opinions of the bank from the statements in the balance-sheet; and according to these opinions the price of the shares would fluctuate in the market. Suppose it were seen that the

bank had invested a large portion of its funds in government securities, and it was known that during the year the price of those securities had experienced a considerable fall, would not the bank shares immediately fall too? Again, suppose at the end of a year like 1836, it should appear that the bank held a considerable amount of overdue bills, the apprehension of loss would cause the bank shares to fall; soon afterwards these bills might be paid, and then the shares would rise again. Thus, the publication of balance-sheets would keep the prices of shares in perpetual fluctuation, and furnish a most fruitful source of speculation and gambling.

4. It is perfectly inefficient as a protection against fraud. The balance-sheet, it seems, is to be a check upon the directors, and yet the directors themselves are to prepare the balance-sheet. They must be stupid knaves indeed, if they produce such a balance-sheet as shall expose their own knavery. Besides, the balance-sheet merely shows the state of the bank on one day in the year. Would it not be easy to put the bank on that day in such a condition as would give satisfaction to the shareholders?

VII. At the annual meeting, the directors announce the amount of the profits and the mode of their distribution.

The first appropriation of the profits is, to pay to the shareholders a dividend on the capital. But all the profits are not usually thus appropriated; a certain portion is generally retained as a rest, or surplus fund, or, as it is sometimes called, a guarantee fund. This last title has led to an erroneous impression with regard to the nature and purposes of this fund. It is not designed as a guarantee to the depositors for the amount of their deposits, — these are guaranteed by the paid-up capital and the liability of the shareholders, — but as a guarantee to the shareholders for the uniformity of their dividends. Should the profits in any one year fall below the sum necessary to pay the usual dividend, the deficiency may then be taken from the surplus or guarantee fund. The amount of this fund, therefore, will be regulated by the amount of the transactions, and the consequent danger of loss. But it sometimes happens, that, after paying a liberal dividend, the surplus fund accumulates far beyond the sum necessary for the above purpose. In this case a portion of the fund may be employed either in still further increasing the dividend, or it may be distributed to the shareholders in the form of bonuses, or it may be added to the capital. The course to be adopted must depend upon circumstances. When the capital is small, it will probably be best to make an addition from the surplus fund; but when the capital is sufficiently large, the best way will be to give an occasional bonus to the proprietors. This is usually better than increasing the dividend; for if the dividend be once increased, the same rate of dividend will always be expected; and it is better not to make any advance, unless there is good reason to believe that the same rate will always be maintained.

When urging the establishment of a surplus fund, we are met with the remark, that we are not bound to do any thing for posterity, inasmuch as posterity have done nothing for us. We recollect meeting with this joke many years ago, we think in "Joe Miller." As it is so frequently repeated, we presume it is thought to be witty. We profess not to be a

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judge of witticisms. As a piece of reasoning it seems very unsound. To deny ourselves present gratifications in order to make provision for the future, is one of the most important lessons that reason teaches to man. Nor is it for posterity, in the present case, that the provision is made. All bank proprietors should wish that it may be so; but it is very probable that within their own lifetime some untoward events may occur that will require a portion of the reserved fund to keep up the ordinary dividend.

Those persons are under a mistake who object to a reserved or surplus fund on the ground that it takes away the profits from the existing shareholders, and gives them to the future shareholders. This is not the fact. An existing shareholder who keeps his shares until the fund is in some way distributed, receives of course his portion of the fund. But an existing shareholder who sells out his shares before the fund is distributed, receives the value of his portion of the fund in the price of his shares. The amount of the surplus fund will influence the market-value of the shares. In proof of this, we may observe that after a bank has declared a bonus, the market-price of the shares usually falls, as in fact, *ceteris paribus*, it ought to do.

We consider it of high importance that a bank should maintain an ample surplus fund. Without such a fund, the dividends will fluctuate very widely, and sometimes there may be no dividend at all, even though upon a series of years the bank may have been very successful. Even if it is known that a bank has met with losses, its credit is not so much affected when it has an ample reserved fund to fall back upon. And besides the ordinary losses in the way of business, a bank will sometimes, in a season of pressure, be called upon to sustain loss by the realization of securities, and it is very convenient to have a surplus fund sufficiently ample to bear all these contingencies. Such a fund, too, has a moral effect in strengthening the reputation of the bank in public estimation. It is regarded as an indication that its affairs are governed by a wise and prudent administration.

It will assist us in forming a correct judgment as to the principles on which joint-stock banks ought to be administered, if we take a view of those banks that have fallen, and notice the causes to which their failure may be assigned. In investigating these causes, we shall find that the disasters which have befallen joint-stock banks have arisen, not from any unsoundness in the principles of joint-stock banking, but purely from mal-administration. It was predicted by their opponents that they would be ruined by the excessive issue of their notes: but the banks that have failed have been chiefly those that did not issue notes. It was stated they would be ruined by carrying on an extensive business with a small capital; but among the banks that have stopped have been some of the largest capital. It was supposed they would be ruined by unprincipled men getting to be directors, who, having no property of their own, would care little about squandering the property of others. But the fallen banks are chiefly those which were governed by honorable men; and the greatest sufferers have been the directors. Nor can it be said that the joint-stock banks have made their losses by engaging in speculations unconnected with banking. Private bankers have done so. But joint-stock banks are

confined by their deeds of settlement to the business of banking. Nor has it appeared — except, perhaps, in the Isle of Man Bank — that they have violated their deeds in this respect. To what, then, must we ascribe the failure of so many joint-stock banks? We reply, To mal-administration; or, in other words, to bad management. And this leads us to inquire, In what way has this mal-administration been exemplified? What are those erroneous principles that have led to these fatal results? Without attempting to enumerate them all, we will endeavour to specify a few of the most prominent.

I. Taking the unsound business of other banks.

One cause of the rapid extension of joint-stock banks in 1836, was the “merging” of numerous private banks. I obtained from the managers the names of these private banks, which were printed as an appendix to the “History of Banking in America,” published in 1837. This list was afterwards extended, and inserted in the *Bankers' Magazine* for 1844. Thus it appears that one hundred and thirty-eight private banking establishments have merged in joint-stock banks. Some of the private banks sold their business after the joint-stock banks had come into operation. Others formed a joint-stock bank upon the private bank, the senior partner often becoming a director, and the junior partner the manager, of the new bank.

In by far the majority of cases, these unions, or “merges,” were advantageous to both parties. The private bankers obtained the value of the business they had surrendered, and an interest in the future prosperity of the bank they had joined. On the other hand, the new joint-stock bank acquired a business already formed, and also obtained the advantage of the practical knowledge and superintendence of experienced bankers.

But in some instances the bargain was a disastrous one for the joint-stock bank. The bad and overdrawn accounts were taken without due examination, and soon afterwards occasioned considerable loss. The loss of the purchase-money was generally by far the smaller loss of the two. A joint-stock bank in the West of England purchased a private bank in a country town for a large sum, and took the overdrawn accounts without a guarantee. These accounts were considered good at the time, but a few years afterwards the parties failed, and the joint-stock bank lost considerably. A joint-stock bank gave to the Northern and Central Bank the sum of £6,500 for their business at Leeds, after they had stopped. The accounts they took over were afterwards the occasion of great loss. The Isle of Wight Joint-stock Bank was formed upon a private bank, but a few months only had elapsed when they found they were insolvent from the losses that would arise from the bad accounts they had accepted. They immediately determined to wind up, and transfer their business to the National Provincial Bank of England. Other instances might be adduced of joint-stock banks having been founded on private banks which are now supposed to have been, at the time, in a state of insolvency.

II. Some banks have sustained losses by making advances on dead security.

Instead of the word “some,” we think we might use the word “all”; for among the banks that have failed we doubt if we could find one that

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had not sinned in this respect. But the greatest sinners were those banks that were established in places of the greatest trade. All the banks at Newcastle advanced money on collieries, and also on other public works. The banks of Manchester made advances on mills and manufactories, as did also some of the banks at Leeds. These advances were attended with several evil effects. In the first place, there was a lock-up of capital, which restrained the operations of the bank. To relieve themselves from this restriction, they took bills for their loans, and re-discounted them in the London money market. The facilities thus obtained induced them to extend this system of advance. Bills were perpetually renewed, and perpetually re-discounted. At last a pressure came, and the renewed bills could not be re-discounted. The bank could not take up the old bills that were returned, and consequently stopped payment. Sometimes, too, the bank tried to relieve itself from this pressure by increasing its drafts on its London agent. It has for a long time been the practice in Lancashire to pay for cotton with a three months' banker's bill. Banks in difficulties avail themselves of this practice to make all their advances by drafts on London, instead of cash. The Bank of Manchester had at one time an enormous circulation of this kind.

Another effect was, that, however good the security might be at the time the advance was made, when a change took place in the state of trade, its value fell much below the amount of the advance; and in some cases it could not be sold at any price. But the evil did not stop here. As the property given as security would have been worth nothing if not worked, the bank was induced to make further advances to carry on the works on their own account. A colliery, if not kept in operation, soon gets out of order; and it will then require a considerable sum to set it at work again. Hence some of the collieries at Newcastle were worked by the banks; and mills in the neighbourhood of Manchester were carried on in the same way. The plan, however, does not often succeed. It is generally throwing good money after bad. The ultimate loss is usually increased. We may just observe in passing, that the banks in the East Indies get involved in the same way, through making advances on indigo works. These works are of no value except kept in operation; and hence it has occurred that a bank which has made an advance, is compelled to carry on the works to keep up the value of its security. To show that a bank governed by the strictest rules may sometimes be drawn into transactions of this kind, it may be observed that at the present time an iron concern in Wales is said to be carried on by the Bank of England. It belonged to the Governor and Company of the Mines Royal. The bank made an advance on mortgage to this corporation during the pressure of 1847, and now takes the profits of the works. Some joint-stock banks have made advances upon buildings. This has occurred chiefly in places where there has been an increasing population. A few years ago a joint-stock bank in a town of fashionable resort, advanced large sums to builders upon the security of the houses they were erecting. The houses did not let; they could not be sold for any thing like the cost price; the builders were ruined, and the loss fell upon the bank. The bank had recourse to the expedient of re-discounting the builders' bills; but after a while it

was compelled to stop payment. In agricultural districts, banks have sometimes made considerable advances to farmers and graziers. Indeed, it is almost a universal practice to do so at some seasons of the year. These advances are not individually of large amount, and are not usually attended with much loss, — not with any thing like the losses incurred by advances on collieries, mills, and houses. But it is a lock-up of capital until the year comes round. And when the system has been carried to too great an extent, the bank has become embarrassed through the want of funds.

III. Some banks have lost large amounts through advances made by way of loan or discounts to men engaged in speculative undertakings.

Two of the banks that stopped at Newcastle-upon-Tyne sustained great losses through advances to corn-merchants. Speculations in corn are usually carried on more by bills than by loan. A merchant buys a quantity of corn, and places it in the hands of a factor, and draws bills for something under the market value, leaving the factor a margin to guard against loss. He gets these bills discounted, buys more corn, which he also places in the hands of his factor, and then draws fresh bills. This second batch of bills he also gets discounted, and buys more corn; and thus he goes on in the same course. Now if he thinks the market will rise (as all speculators do), he will not allow his factor to sell the corn; but when the first bills fall due he will renew them, and with the produce of the new bills, when discounted, he will pay the old ones. It is thus that a large speculation may be carried on with a small amount of capital (and that may be borrowed from the bank), and all the speculation is kept afloat by bills. These bills are always for large amounts, and when the parties fail the losses are usually heavy. The failures in the corn trade in 1847 fell heavily on the banking and moneyed interests. It was the stoppage of Messrs. Lesley, Alexander, & Co., the corn factors, that caused the stoppage of Messrs. Sanderson & Co., the bill-brokers.

Wool is another "heavy article," as it is called; that is, it costs a great deal of money, and the bills are usually for large amounts. Occasionally there is much speculation in this article. A joint-stock bank that failed in Yorkshire is said to have lost large sums by persons engaged in this trade.

Builders are generally a speculative class. Banks that advance money to parties engaged in this trade have usually to take possession of the buildings. We have already noticed an instance of this in the conduct of a joint-stock bank.

People who speculate in railway and other companies are dangerous customers to a bank. A joint-stock bank that failed at Leeds is said to have lost considerably by advances to share-brokers and others, upon the security of their shares.

It may be remarked, that it is generally bad policy in a bank to make a very large permanent advance to any one customer. The word "large" is a relative term, and must be understood with reference to the extent of business that the customer is carrying on, and to the means of the bank. It is not the business of bankers to supply their customers with capital to carry on their trade. But it is their business to make tem-

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porary advances, and these advances may sometimes be large. In such cases, the banker should have a kind of security, that shall not only secure the debt, but shall prevent its becoming permanent. Almost every bank that has failed can point to some one, two, or three large accounts to which it mainly ascribes its failure. The temporary stoppage of the Royal Bank of Liverpool is attributed to an advance of this sort.

But the worst form of illegitimate advance is that which is made by a bank to one of its own directors. Some of the banks at Manchester sinned grievously in this respect.

A bank that is known to act imprudently in making large advances, will occasion a suspicion that its smaller advances are made with, at least, equal imprudence. A large number of imprudent small transactions may be as fatal to a bank as a smaller number of a larger amount. A sum which appears small as a loan, will appear large as a loss. A manager who accustoms himself to examine all the circumstances connected with the small bills he discounts, will acquire a habit of investigation that will guide him with safety in dealing with large transactions. But if he get into a laxity of manner in regard to small amounts, he will ultimately deal less carefully with large sums, and be in danger of making great losses. In every case the rules of sound banking should be strictly applied.

IV. Some banks have become involved in difficulties through a general want of system and discipline in conducting its affairs. This laxity usually shows itself in two ways, — the absence of a good system of book-keeping, and the want of a proper control over its branches.

We could not adduce a more striking illustration of this observation than has been furnished in the history of the Agricultural and Commercial Bank of Ireland, as related before a Committee of the House of Commons in the year 1837. The following are extracts from this evidence. The books at the head office had not been posted for four months. There were no stock books, showing the amount each shareholder had paid on his share. There were no books showing the amount of the circulation. An auditor states: "They showed us no general account; their books were in a perfect chaos." They had no account at the head office by which they could check any transaction at the branches. Bills were sent away to be re-discounted without any entry of them being made in the bank books. At the branches there was no regular system of accounts. At no one branch was there a system of accounts that formed an adequate check upon the amount of notes in circulation; "and from one branch we were told that returns had not been made to the head-office for fourteen months, and from another for six weeks, and there was no question about it from the head office." (It is to be feared that some of the English country banks are too neglectful in regard to book-keeping. See the case of the Honiton Bank, in Burgess's *Circular to Bankers*, February 2, 1849.)

We will not intimate that any thing like this has ever existed in a joint-stock bank in England. We never heard that any one has had any difficulty in making out a statement of its affairs. With some banks, however, there has been a laxity in regard to the government of their branches. The system of inspection was not well understood; the re-

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turns from the branch were not so ample as they should have been; and the orders of the head office were not rigorously enforced. We could mention the names of several fullen banks that lost very considerably by their branches. In some cases the banks had opened branches in towns that required an amount of capital disproportionate to the means of the bank, and their administration had been intrusted to parties who had neither banking nor local knowledge.

A good system of book-keeping cannot be too highly valued. Its object is not merely to secure accuracy of accounts between the bank and its customers. A further object is to classify and arrange all the transactions in such a way as easily to produce a weekly balance-sheet, showing the actual condition of the bank. Nor must it be supposed that such abstracts or balance-sheets are intended merely for the use of the directors. They are of the utmost use to the manager, and should be the subject of his constant study. A manager who, day after day, attends only to individual transactions, and that, too, possibly in a state of mental excitement, may involve his bank in difficulty, even though each transaction may, upon its own ground, be perfectly justifiable, unless he attends to those summaries and classifications of his transactions which are presented in the weekly balance-sheet. He will there see on one side the means of the bank, and on the other the way in which his funds are employed. He will notice if his loans, or overdrawn accounts, or past-due bills, are unduly increased. If a good system of book-keeping does not prevent a manager from going wrong, it will prevent his going wrong without knowing it. If he act unwisely, his balance-sheet will stare him in the face and remind him of his faults.

It is a great defect not to take an accurate estimate of the losses every half year before striking the balance of profit and loss. It is clear, that common sense and common honesty require that the loss should be taken into account as well as the profit. Yet some of the banks that failed went on, year after year, exhibiting a balance-sheet to their shareholders showing a respectable profit, which enabled the directors to declare a fair dividend, and to make an addition to the reserved fund. While the annual balance-sheets thus showed a steady increase of profit, the bad debts had actually eaten up the whole of the capital.

Another defect is, not to have an account in the general ledger showing the amount of bills re-issued or re-discounted. The amount of these bills not due should appear on both sides of the account, — on one side as a liability, and on the other as an asset. For want of doing so, some banks have not been able to ascertain easily what amount of bills they have under re-discount. But it is important to know this; for it may be expected that, during a season of pressure, no small portion of these bills will be returned unpaid, and the bank must find funds to take up its indorsements. If they fail to do this, it amounts to a stoppage of payments. In fact, the amount of such bills suddenly returned has in some cases been the *immediate* cause of a bank stopping payment.

We have no horror of numerous branches. When we see that in Scotland the largest and most prosperous banks have each a large number of branches, we are led to believe that branches are not attended

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with any dangers which cannot be overcome by wise administration. At the same time, we are ready to admit that numerous branches require a peculiar mode of government, and a rigid system of discipline. The chief officer of such a bank should be a good banker, and something more. He must be a good administrator; that is, skilled in the administrative department of good government.

In the first place, each branch must have a good system of book-keeping, and the system must be uniform at every branch. Secondly, Care should be taken to appoint efficient officers. Thirdly, A code of laws should be drawn up, and the branch manager should be distinctly informed as to the extent to which he may exercise his discretion, and what cases must be referred for the consideration of the directors. Fourthly, Weekly returns must be made to the head office of all the transactions, and a half-yearly balance-sheet attended with full supplementary details. Fifthly, Special reports should be occasionally required, as special circumstances may occur, either with reference to the branches generally, or with reference to a branch individually. Sixthly, An inspector should be appointed for the purpose of visiting the branches. His duties will be to explain the instructions of the directors, and to see that they are properly observed; to maintain a uniform system of transacting business at all the branches; to instruct the officers of the branch in their duties when necessary, and to communicate the knowledge he has acquired in visiting the other branches; to answer any difficult or knotty questions that may be proposed to him by the manager, and to consult with the manager as to the best means of promoting the interests of the branch; to observe the talents and capabilities of the several officers, and to recommend for promotion any who seem to have qualities that might be usefully employed in a higher department in the bank. In large banks there are usually several inspectors. (We shall hereafter notice in detail the mode of conducting business in the Provincial Bank of Ireland, as an illustration of the above remarks.)

Branches should always be kept in strict subordination to the head office. Prompt obedience to orders is a duty that must be rigidly enforced. The chairman of the Northern and Central Bank stated to the Parliamentary committee, that at some of the branches where the heaviest losses had occurred, the managers had not obeyed the orders they had received from the directors. Similar accusations were made against some of the branch managers of the Commercial Bank of England. It is quite impossible for any bank to be well administered as a whole, if every branch is allowed to exercise an independent authority. Upon this ground, some parties object altogether to the appointment of local directors at the branches. A local board, consisting of the branch directors and the manager, are more likely than the manager alone to assume independent authority, to postpone carrying out the directions they may receive from head quarters, and to take upon themselves the responsibility of acting somewhat at variance with the strict letter of their instructions. And although local directors may sometimes be useful in extending the connections of the bank, or in aiding the managers with information or advice, yet, for the above or other reasons, they are now in England but

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very seldom appointed. The branch is under the sole care of a manager. The general manager of the bank is not merely the manager of the head office, but has authority also over all the branches. Whenever necessary or expedient, he issues circular letters of instruction to the branch managers, and these instructions the branch managers are expected to obey.

V. Some banks have been unfortunate in consequence of having made no provision to meet contingencies.

This class of banks has not fallen into any of the practices that we have enumerated. They have not, on the whole, been badly managed, but they have traded to the full amount of their means, and have kept no reserve, either in government stock, exchequer bills, or bills of exchange, to meet those contingencies to which all banks are liable. One bank of this class had, during the railway speculation, received from some of these companies a large amount of deposits. A portion of these deposits was lodged, as its agent, with another bank. That bank stopped. This bank was, consequently, unable to pay back the deposits to the railway companies. From this circumstance, and the known connection between the two banks having damaged its credit, it was compelled also to stop payment. Another bank had but a small capital, but for a number of years it was exceedingly well managed. In 1847 it had discounted, and again re-discounted, a large amount of bills on a first-rate London house that failed. The London house afterwards paid 20s. in the pound. But the directors concluded from this circumstance that a bank with a small capital was not in a condition to bear a large loss, and they resolved to wind up the concern. After sustaining the losses and expenses of winding up (and in such a case some losses necessarily occur), the bank realized nearly the whole of its paid-up capital. We doubt not that some of the other banks that have wound up their affairs have done so from causes similar to those we have described.

We consider that this head of our inquiry is not less instructive than the four by which it was preceded. *They* will teach us the vices we ought to avoid; *this* will teach us the virtues we ought to cultivate. The lessons we here gather are, that we ought not only to avoid all mismanagement, but we ought also to provide for those contingencies to which, even with good management, we are exposed. We ought to raise our capital in proportion to our business, or else keep down our business to a level with our capital; we ought to have a surplus fund adequate to meet any unforeseen loss; we ought to have a reserve of convertible securities ready to meet contingent evils; and, finally, we ought always to keep our bank in such a condition, that, even if not successful, we shall still be in a condition to wind up our affairs without inconvenience to the public.

VI. We may observe, that these erroneous principles of administration have sometimes been the result of a defect in the constitution of the bank, of the appointment of incompetent persons, or of an unwise distribution of the administrative functions.

Joint-stock banking did not grow up gradually in England as in Scotland. On the introduction of this system into England, the directors were

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necessarily unacquainted with the practical operations of banking.* For all the practice and experience were confined to the private bankers, whom the new system was intended to subvert. In some places there was a prejudice against directors who were in business. Hence, officers in the army, barristers, solicitors, medical men, retired tradesmen, and country gentlemen, were considered as the most eligible directors. These boards of directors, all of whom were unacquainted with banking, and some of whom were destitute of business habits, had to encounter difficulties which would have tried the most experienced bankers.

The want of experience in a board of directors did not, however, produce any dangerous consequences when they appointed an efficient manager. He prudently advised and instructed them. They gradually increased their knowledge, adopted his principles, and were guided by his counsels. By their daily intercourse with him, by their own reflections, by the direction given to their thoughts, and by the experience they acquired, they became in a few years as conversant with their duties as the manager himself. We believe this was almost uniformly the case with those joint-stock banks that were formed within five or six years after they were allowed to be established in England. As a proof that such was the case, it may be stated that the greater portion of the banks formed during that period have, at the present moment, the same managers they had at their commencement.

But, after joint-stock banks were started as matters of speculation, they increased more rapidly than efficient managers could be found. The new banks naturally enough looked to Scotland. But the Scotch banks had the sagacity to raise the salaries of their principal officers, to prevent their emigration to England. In some cases, those Scotchmen who were appointed managers of English banks, had never held office in a bank before, or else it was an office so inferior that all they knew about banking was merely the routine of the office: Wherever efficient managers were appointed, whether English or Scotch, the same effects were produced as in the former cases. The inexperienced directors acquired the knowledge and experience necessary to the discharge of their duties, and the banks prospered. But sometimes the case was reversed. The manager was inefficient and the directors inexperienced, and then the effects were disastrous.

In some cases the manager labored under an inconvenience from being taken from a lower social position. Not a few of the managers were previously bankers' clerks; and the appointment to the office of bank manager did not, in England (as it does in Scotland and in Ireland), raise him to the same social position as a banker. This was injurious to the bank in several ways. It lessened his influence with his directors. From

* The chairman of the Northern and Central Bank gave the following answers to a Committee of the House of Commons:—

"Is there any one of your colleagues in the direction of the bank that had previous experience in banking business?—I do not think there was one.

"Had the directors of the joint-stock banks about you many of them had previous banking experience?—I do not recollect one."—*Committee on Joint-Stock Banks*, 1837.

the days of Solomon to the present time, the degree of deference paid to even good advice has depended upon the social rank of the party who offered it: "Wisdom is better than strength; nevertheless the poor man's wisdom is despised, and his words are not heard." (*Eccles. viii. 16.*) The public, too, had been so long accustomed to private banking, that, seeing the manager paid by a salary, they could not bring their minds to view him as *the* banker, but considered him as holding an office analogous to that of chief clerk in a private bank. It may be feared that in some banks the directors took the same view, and thought that the influence and the salaries of the two offices ought to correspond. These impressions have now passed away.

In some cases the manager was superseded in his functions by the appointment of managing directors. The manager was a man of banking knowledge and experience, but he had placed over him a couple of managing directors who had neither knowledge nor experience. Consequently, his voice was never heard in the board-room, and, with the name of manager, he acted only in the capacity of a chief clerk. The manager was thus deprived of the opportunity of discharging the most important of his functions,—that of giving advice to the directors,—and was required to confine his attention to the more easy duty of obedience.

In other cases the managing directors and the manager formed a secret committee, who alone were acquainted with the actual condition of the bank. The directors of the Bank of Manchester stated, in their first report, that "two of their body, who are out of business, alone have access to the accounts, and are authorized to advise with the manager, when requisite, on the current transactions of the bank. At the same time, each of the other directors engaged, individually, to refrain entirely from inspecting any of the customers' bills or accounts; thus combining all the secrecy of a private bank with the advantages of a public institution." The Bank of Manchester had at that time the largest paid-up capital of any joint-stock bank in England. Three of its directors were examined before the Bank Charter Committee, in the year 1832. They presented to the committee a list of twenty-three joint-stock banks then formed, and strongly urged that measures should be adopted to require from them an adequate amount of paid-up capital. It is somewhat remarkable, that, out of these twenty-three banks, the only one that has stopped payment is the Bank of Manchester. Another has ceased to exist, but it was by a transfer of its business.

In some cases a bank has been ruined by its manager; in others, by the manager and the managing directors conjointly; in others, by the managing directors without the manager; and in others, by one, two, or three directors, who, though not formally appointed managing directors, have, by their influence with the board, virtually monopolized that office, and discharged its functions. It may be questioned whether any case has occurred in England of a bank being ruined by the acts of its whole board, where all the directors were honest and intelligent men, and each was accustomed to think and judge for himself.

VII. We may observe, that sometimes joint-stock banks have been led

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into erroneous principles of administration by the proceedings of the proprietors.

The constitution of joint-stock banks appears theoretically absurd. The manager, — the banker, — who is presumed to have some knowledge and experience in banking, is placed under the command of a board of directors whose knowledge and experience are supposed to be inferior to his own. These directors are again placed under the control and instruction of a body of proprietors whose knowledge of banking is much less than that of the directors. Practically, however, the system works well. But when an attempt is made to carry out the theory, the effects are injurious; and some joint-stock banks have fallen into danger through the operations being too much regulated by the proceedings of the proprietors.

Sometimes the directors have been influenced by the applauses of the shareholders.

It is natural to all shareholders to wish for large dividends upon the capital they have invested. Hence they applaud most loudly those directors who contrive to declare the highest dividends, to make the largest bonuses, to keep up the shares at the highest premiums in the market, and then to distribute more shares at par. The directors, knowing these to be the feelings of the shareholders, very naturally attempt to gratify them. But those transactions that yield a large immediate profit, are either attended with a risk of loss or a lock-up of capital. But the profit is immediate, the danger is remote. With the applauses of the shareholders ringing in their ears, the directors become too giddy for reflection, and recklessly engage in a course of action that ends in ruin. This evil is increased when there are two joint-stock banks of about equal strength in the same place. The spirit of rivalry is natural to man. The competition between the two boards of directors is not which bank shall be governed with the greatest prudence, and with the strictest regard to sound banking principles, but which shall produce the most glowing reports, which shall declare the largest dividends, and which shall keep up its shares at the highest price in the market. A strong competition is carried on, which ends in the destruction of one or both of the rival banks. Such feelings are said to have prevailed at Manchester; and at that place several boards of directors were presented with services of plate, by their respective shareholders, within a short time of the stoppage of their banks.

Sometimes directors are induced to act unwisely from the censures of their shareholders.

Every one who knows any thing of banking must know that it cannot be carried on without occasional losses. A bank that is so conducted as never to make a loss, will seldom make much profit. And sometimes these losses will be so great as to absorb a large portion of the profits of the year. The object of having a surplus fund is to provide for these contingencies, so that the usual dividend may be maintained. But when an occasion arises for making use of a portion of this fund, there is often what is called "a stormy meeting," and the shareholders walk away sulky and dissatisfied. This produces a bad effect on the minds of the directors. It is a great mistake to suppose that boards of directors are in-

different to the applauses or censures of their shareholders. As a general rule, the fact is lamentably the reverse. In some cases they have had so much dread of "the general meeting" that they could not muster courage enough to make honest reports. Had they done so in the first instance, their banks might have been saved from destruction.

Sometimes directors are in danger of being led astray by the admonitions and instructions of their shareholders.

A very prudent class of proprietors exhort the directors to practise the strictest economy. When rightly understood, this exhortation is worthy of the rounds of applause with which it is usually attended. But it is liable to be misunderstood. In banking, as in housewifery, the lowest-priced article is not always the cheapest. The largest portion of the expenditure of a bank consists of salaries. Hence an exhortation to economy amounts to, "Keep down the salaries of your officers"; and as the manager has the largest salary, he will most likely be the heaviest sufferer. We believe that if the suggestion were made in these terms, it would receive no support from any body of shareholders. Were it customary to announce to the proprietors the advances made in the salaries of the managers, we think the announcement would be received with the same feelings as were manifested in the following instance. At the eleventh annual meeting of the proprietors of a bank in one of the northern counties, held on the 5th of February, 1846, "the chairman informed the meeting that, appreciating highly the services of the manager, and the prosperity of the bank fully justifying them in doing so, the directors had raised his salary to £1,500 a year; at which the proprietors present expressed their hearty concurrence. And it was recommended to the directors, by the proprietors present, still further to augment the manager's salary, with the increasing business and prosperity of the bank." At that time the paid-up capital of the bank was £260,450. In the "Banking Almanac for 1849," this banking is stated to have a capital of £300,000, and a reserved fund of £30,000.

The following is an extract from the sixth report of another joint-stock bank:—

"The manager having claimed for his nominees the 1,000 shares at par to which they were entitled by his agreement when originally engaged, the same have been issued to them, which increases the number of paid-up shares, entitled to participate in the present dividend, to 32,080."

A more mischievous recommendation, when thus understood, can hardly be conceived. Next to having a dishonest manager, the greatest evil is to have one that is badly paid. If he is known to be poor, his advice will have less weight in the board-room; the directors individually will treat him with less respect; his wealthy customers will not disclose to him their private affairs; the needy class, when refused discount, will insult him by threatening to complain to the directors; and his inferior officers will be less prompt in their obedience. But worse than all this will be the effect produced upon his own mind. He will not be, and he cannot be, so efficient a manager when badly paid, as he would be if he received a liberal remuneration. It is the besetting sin of men of business, that they never pay attention to *mind*, though among no class are mental phe-

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nomena more strikingly exhibited. The amount of his salary is the only tangible means by which a manager can judge how far his services and his character are appreciated. It is not the money alone, but the feelings of which the money is an indication, that produces an effect on the mind. It is a law of our nature, that the kindness, liberality, and generosity of others will produce corresponding feelings in ourselves. And it is another law of our nature, that when the mind is under the influence of such feelings, it is capable of intellectual efforts of a higher order. But we forget; we were writing about pounds, shillings, and pence, and our pen has darted off into philosophy. We will now return.

Sometimes the shareholders fly at higher game, and canvass the salaries of the directors. Such discussions are always unpleasant, as they are carried on in the presence of the parties interested. Among all the charges brought against the directors and managers of banks that have failed, we have never met with the accusation that they received excessive salaries. We are tempted to fancy, that, had their salaries been higher, the banks might not have failed. As far as salary is concerned, they certainly would have had a greater interest in preventing the failure. In some banks, however, directors have paid themselves for their services in ways far more costly to the bank. Take the following instance:—

"The qualification for directors of the Northern and Central Bank was 100 shares. It was, however, ascertained that each of the original directors took 1,000 shares, and that besides these, other shares were, at later dates, distributed among the directors and their near connections. Instead of paying the calls to the bank, the directors and their nominees were severally debited with the amount in a private ledger, locked up, and the key deposited with the chief accountant. In addition to this, each director had a current account with the bank, and many of them had overdrawn their accounts to a very large amount. Nor was this all, for it further appeared that many of them were also indebted in large sums of money on notes of hand, which being placed to the account of securities, did not appear in the books as a debit against the directors. Upon combining these several items of debt, it was ascertained that there was no less than £290,000 due by the directors, and that there was near £14,000 due by the managers and clerks." (*Committee on Joint-Stock Banks, 1837.*)

It is not creditable to any bank to receive the services of its directors as a matter of charity; nor is it wise. A director who is paid for his services may justly be called to account for neglect of duty. In this case, too, he cannot expect payment in any other way. In his transactions with the bank he is then on the same footing as any other customer. It has been said, that the directors are such honorable men that they will attend to their duty as strictly if badly paid as if liberally paid. If so, they ought to be liberally paid, as it is very desirable that such honorable men should be most closely attached to the bank. But we doubt the fact. In matters of almsgiving, men will give only what they can conveniently spare. If a director is to give his time for nothing, he will give only that portion of his time which he cannot more profitably or more agreeably employ elsewhere. In matters of business, men will apportion their services according to the return they receive for them. There is no way of securing constant punctuality of attendance on the part of directors, but by paying them liberally for that attendance. In some cases where payment has not been given, or given only to the managing directors, it is said that the

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government of the bank has fallen into the hands of a few persons whose punctuality of attendance has been almost their only banking virtue. But the main advantage of liberal payment is its effect upon the *minds* of the directors. Every honorable man will attend to his duty with alacrity and energy, and will even make extra exertions for the benefit of the bank, when he finds that his services are handsomely and liberally appreciated.

We need hardly say, that the faults we have pointed out in the administration or constitution of joint-stock banks are by no means inherent in the system. They are accidental circumstances, arising from its establishment in a new country, by parties who had no previous opportunity of understanding its principles. The system is no longer new, its principles are now well understood, and it may reasonably be expected that the calamities of the past will never recur.

SECTION XI.—THE ADMINISTRATION OF THE OFFICE.

In this section we shall consider the following topics : —

- I. The Arrangement of the Office.
- II. The Selection and Appointment of the Clerks.
- III. The proper Distribution of their Duties.
- IV. The Amount of their Salaries.
- V. The System of Promotion.
- VI. The Rules of Discipline.
- VII. The Training of Clerks for higher Offices.

I. The Arrangement of the Office.

The proper situation of a bank is a matter of some importance. It should be situated in what is deemed the most respectable part of the town. If it be placed in an inferior locality, approachable only by narrow and disagreeable streets, and surrounded by buildings the seats of smoky and dirty trades, it is not likely to be so much frequented, nor to acquire so large a business, as though it were more pleasantly situated. Another point to be observed is, that the bank itself should be a handsome building. The necessary expenditure for this purpose is no sin against economy. It is an outlay of capital to be repaid by the profits of the business that will thus be acquired. A portion of the building will probably be set apart for the private residence of the manager, or of some other officer of the establishment. It is desirable that this portion should be entirely separated from the office. The communication should be only by a single door, of which the manager should keep the key. The building should be so constructed that what is going on in the private house, whether in the kitchen, or the nursery, or the drawing-room, should not be heard in the bank. The office being thus isolated, must then be fitted

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up in the way that will most effectually promote the end in view. And here are three points to be considered,—*space, light, and ventilation.*

A chief consideration is *space*. A banker should take care that his clerks have room enough to do their work comfortably. Every accountant knows that he can often work faster if he can have two or more books open at the same time; but if his space is so confined that he must shut up one book and put it away, before he can use another, he will get on more slowly. The cashiers, too, will be much impeded if they are obliged to stand too close to each other; and the public will be huddled together, and will often count incorrectly the money given to them, and thus take up the cashiers' time to put them right. Want of space will necessarily occasion errors, from the confusion it produces, and from one clerk being liable to interruption from the noise or vicinity of the others. A banker should therefore take care that his office is large enough for his business; and that it will admit of being enlarged in case his business should increase. Ample space is also conducive to the health of the clerks, as there will be more air to breathe, and the atmosphere is less likely to become polluted by the burning of lamps and candles.

Another consideration is *light*. It is well known in every London bank that fewer mistakes are made by the clerks in summer than in winter. Abundance of light prevents mistakes, and saves all the time that would be employed in the discovery of errors. Light is also of great importance to the cashiers in detecting forged signatures, and bad or counterfeit money. Thieves are also less likely to attempt their robberies in a light office than in a dark one. Faint or illegible hand-writing can be more easily read, and hence mistakes are less likely to occur. The clerks, too, perform their duties with more quickness and cheerfulness. The gloominess of an office throws a gloom over the mind; but "light is sweet, and a pleasant thing it is for the eyes to behold the sun."

The lightest part of the office should be devoted to the clerks. We have observed sometimes a violation of this principle. The entrance door has been placed in the middle of the front, with a window on each side, and the counter thrown across the room, so that the lightest part of the office has been given to the public. It is better that the entrance be placed at the right or the left corner, and the counter be made to run from the window to the opposite wall. The light will thus fall lengthways on the counter, and the space behind the counter will be occupied by the clerks.

Ventilation.—Volumes have been written by medical men upon the advantages of fresh air, and on the unwholesome atmosphere of crowded cities. If the air that circulates in the streets of towns and cities is impure, what must be the state of those offices or rooms where twenty or thirty persons are breathing close together during the whole of the day, and gas-lights are burning during the evening! In such cases we are told that a person afflicted with consumption of the lungs may communicate the complaint to others, as they must inhale a portion of the atmosphere which he has breathed out. The air in a close office is not only rendered impure by the number of people that breathe it, and by the burning of gas, but it also contains very frequently particles of dust arising from the floor,

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through the number of people constantly walking in and out. It is almost impossible for persons so circumstanced to enjoy for a length of time even moderate health. A portion of this evil may be mitigated by a good system of ventilation. To obtain this should be regarded as an object of the first importance. If a banker does not insist upon the architect performing this in the most effectual manner, he must be content to be often put to inconvenience through the illness and consequent absence of his clerks.

Having made due provision for space, light, and ventilation, it will now become necessary to arrange the counter, desks, and other furniture, so as to enable any given number of clerks to discharge their duties with the greatest efficiency, and so as best to promote the public convenience. It is not necessary, or possible, to give very minute instructions on this head, as much will depend upon the form of the building, the extent of the business, and other circumstances. We will notice only a few general objects to be kept in view.

It is desirable at all times to make those arrangements that shall best promote the convenience of the public.

The counter should be readily accessible, and of sufficient length to meet the requirements of the business; and the cashiers' desks sufficiently wide apart for the public to be promptly served, and to stand without jostling one another. Some banks have two counters, one for paying, and the other for receiving. At other banks the cashier does not enter the credits, but merely agrees the amount with the customer, and then passes them to a clerk, who enters them in the Waste Book. In the same way, when a cheque is presented for payment, he gives it to a clerk behind him, who enters it, and hands the notes to the cashier, who pays out the gold and silver. When the business is large, extra or supernumerary cashiers are appointed, who take the place of the regular cashiers when they are absent at dinner or otherwise, so that during the whole of the day all the cashiers' desks are occupied. To relieve the counter, the payment of bills that have been presented in the morning and not paid, is usually received at a separate desk or office. All these are expedients that should be adopted when necessary, to save the time of the public. There are few things that try a man's temper more than to be kept waiting a long time at a banker's counter; and he will be very apt to give vent to his impatience by quarrelling with the clerks, or reproaching the establishment.

Another object is, to place near together those clerks whose duties will require them to have frequent communication with each other. If this rule be not observed, the clerks will lose much time in the course of the day in passing from one part of the office to the other; and the work will not be so expeditiously performed. It is especially desirable that the ledger keepers should be placed close behind the cashiers; so that if a doubtful cheque be presented for payment, the cashier may be able to show it to the ledger keeper, and be informed if he may pay it, without being observed by the party presenting it.

Another point is, to place the desk of the chief or head clerk in such a position that he can see all over the office. "A master's eye will do more work than both his hands." In this case, if the counter is crowded,

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the chief clerk will perceive it, and appoint additional clerks to assist the cashiers. If disputes take place between the clerks, or between the cashiers and the public, he will come forward and settle the matter before the dispute is carried to high words. He will observe, too, the customers who come frequently to the counter, and from their transactions he will often draw conclusions respecting their circumstances which will be serviceable to the bank. It is generally best that many of the clerks should be so placed as to look towards the counter. It has been said that this draws off their attention from their work ; but we do not think this is generally the case, although it may occasionally relieve the irksomeness of their duties. A dishonest person standing at the counter, and watching an opportunity of committing a robbery when the cashier is engaged, will be more likely to abstain from making the attempt when the eyes of other clerks have a command of the counter. This arrangement will depend in some measure on the direction of the light. The clerks should not have their faces or their backs towards the window, but the light should fall on them sideways. These matters may appear trifling, but they will not be deemed unimportant to those who are intrusted with the practical administration of an office. It is only by attention to minute things that the business of an office can be well conducted.

II. The Selection and Appointment of Clerks.

When a bank is first formed, they sometimes advertise for clerks ; but this is usually for clerks of a higher rank, who have had some experience in the business of banking. When a bank is established, it has seldom occasion for new clerks of this class. A vacancy in one of the higher departments is filled up by the next clerk in rank, and so on in order, and the new clerk comes in as a junior. Applications for this post are usually so numerous that the only difficulty is in making the selection. Those recommended by parties known to the bank, as customers or shareholders, usually have the first claim. In some banks the nomination of the junior clerks is regarded as a portion of the patronage of the directors, upon the understanding, however, that they nominate none but such as are properly qualified, and who shall prove their fitness to the satisfaction of a committee of directors.

In making inquiries into the qualifications of applicants, it is necessary to ascertain, in the first place, their age. In London, the age at which clerks are admitted into a bank is usually about nineteen. As their first duty is to collect payment of bills, it is necessary they should have arrived at a sufficient degree of strength to be able to make some resistance were an attempt to be made to rob them of their bill-case ; and also that they should have arrived at an age to be conscious of the responsibility of their office. In the country parts of England, and in Scotland, clerks are taken at an earlier age ; but the duties are different from those discharged by the same class in London.

Another consideration is the class of society from which clerks are taken. Candidates for the office of bank clerks are usually the sons of the middle class of tradesmen, or of professional men, as clergymen, officers in the army or navy, or persons in the service of Government.

During the last war, bankers' clerks were generally the sons of tradesmen, as the sons of gentlemen could usually find employment under Government. But now that places under the Government are not so easily obtained, members of what are called respectable families are found among the candidates for admission into the service of banks. Each class has some advantages. The sons of gentlemen have generally a better literary education, and have usually a more courteous address. On the other hand, they have no notion of business, and no business habits. They have been accustomed to go a-hunting and a-fishing with the sons of men of large property, and they look upon banking business as a drudgery to which they submit from necessity, but which is much beneath the destiny to which they think they are entitled. On the other hand, the sons of tradesmen have been accustomed to notions of business from the ordinary conversation of their fathers' fireside; they know they must get their own living; they look upon their admission into a bank as a lucky event, and, consequently, apply themselves to their duties with heartiness and cordiality.

Another inquiry of those who are candidates for admission into a bank is, how they have been employed. Lads just come from school, of course know nothing of the business of a bank, and, if taken at all, they should be taken upon trial for three or six months, so that their qualifications may be discovered before they are permanently appointed. Those who have been two or three years in a merchant's counting-house are generally found to be the most efficient. But to have been in the office of a stock-broker or a solicitor, or to have studied for one of the learned professions, is no recommendation. Clerks from country banks, and especially those from the banks of Scotland, when introduced into London banks, are at first usually considered to be slow.

It is also proper to inquire into the parentage of the candidate. For although honesty and dishonesty do not run in the blood, yet it is probable that religious and virtuous parents have given their children a religious and virtuous education; and a youth who has been accustomed to see examples of excellence at home, will be the most likely to exhibit those excellencies in his own conduct. A high degree of moral principle is in itself a necessary qualification in a post of trust and responsibility, and it is usually associated with a cultivated and improved state of the intellectual faculties. "If there be in the character not only sense and soundness, but virtue of a high order, then, however little appearance there may be of talent, a certain portion of wisdom may be relied upon almost implicitly. For the correspondencies of wisdom and goodness are manifold, and that they will accompany each other may be inferred, not only because men's wisdom makes them good, but also because their goodness makes them wise. Although, therefore, simple goodness does not imply every sort of wisdom, it unerringly implies some essential conditions of wisdom; it implies a negative on folly, and an exercised judgment, within such limits as nature shall have prescribed to the capacity." (*Taylor's Statesman.*)

Testimonials are to be received with caution. Young men who come to London in search of a place, often bring with them a host of testimo-

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nials, which they expect will place them at the head of any list of candidates. When upon other grounds there is an intention of engaging the applicant, these letters of recommendation may sometimes be read. It may be useful to observe by whom the testimonials are given, and whether those persons have had opportunities of judging of the adaptation of the party for the office he seeks. It may also be noticed what qualities are, and more particularly what qualities are *not*, ascribed to the applicant. It has been said, that when a lady is praised for being "amiable and accomplished," it may be inferred that she is neither young nor handsome. So if a testimonial speaks highly of a young man's "industry and integrity," it may generally be inferred that he does not possess much talent. It is true that these qualities are of more importance than talent. But while they are more important, they are also more common; and if a young man possesses any kind of intellectual superiority, the fact will certainly not be omitted in his testimonial.

III. The distribution of the duties of the various clerks is a matter of no small importance. Experience is the only efficient guide in making such arrangements. We may, nevertheless, lay down a few general principles. The great division of the business of a bank office is into the cashier's department and the accountant's department. In London banks there is a third, — the tellers, or out-door department. In the distribution of duties, it is desirable that the accountant's department should be a check upon the other departments. The cashiers must not have the control of the books, nor the accountants the care of the cash. The accountants' books should show what amount of cash is in the hands of the cashiers; and it is the business of the cashiers to show that they have that amount of cash which corresponds with the accountant's books. If the same officer has the care of the cash and the command of the books, he may abstract a portion of the cash, and alter the books to make them correspond. It is further desirable, in large establishments, that two books which act as a check upon one another, should not be kept by the same clerk. While it is not proper to indulge a spirit of suspicion in regard to individuals, it is advisable that the duties of a bank office should be so distributed that the intromissions of any one clerk, either by the abstraction of cash or the falsification of the books, should be liable to immediate detection by the entries in some book kept by another clerk. For the same reason, it is proper that any document issued to the public (such as deposit receipts, drafts on London, &c.) should be signed by two officers, of whom one should belong to the cash, and the other to the accountants' department. There ought to be a complete division of labor in a bank. Every clerk should have fixed duties to perform, and every duty, however unimportant, should be assigned to some particular clerk. If any thing is neglected, there should be no doubt as to who is to blame. No one should be able to say, "It was not my business; it was yours." Nor ought any duties to be assigned in common to two or three clerks, to be performed by them as each may find time. In this case, each will do as little as he can, and nothing will be done well. If any dispute arises among the clerks as to the due division of their labors, a reference should be made

to the chief clerk, who will give to each man his work, and hold him responsible for its proper performance.

IV. The Amount of their Salaries.

According to Adam Smith, the wages of labor are regulated by the following circumstances: — 1. The agreeableness or disagreeableness of the employments themselves. 2. The easiness and cheapness, or the difficulty and expense of learning them. 3. The constancy or inconstancy of employment in them. 4. The small or great trust which must be reposed in those who exercise them. 5. The probability or improbability of success in them.

Mr. Mill makes the following observations with regard to the salaries of clerks: —

"A clerk from whom nothing is required but the mechanical labor of copying, gains more than an equivalent for his mere exertion if he receives the wages of a bricklayer's laborer. His work is not a tenth part as hard, it is quite as easy to learn, and his condition is less precarious, a clerk's place being generally a place for life. The higher rate of his remuneration, therefore, must be partly ascribed to monopoly, the small degree of education required being not even yet so generally diffused as to call forth the natural number of competitors, and partly to the remaining influences of an ancient custom, which requires that clerks should maintain the dress and appearance of a more highly paid class.

"It is usual to pay greatly beyond the market price of their labor all persons in whom the employer wishes to place peculiar trust, or from whom he requires something besides their mere services. For example, most persons who can afford it, pay to their domestic servants higher wages than would purchase in the market the labor of persons fully as competent to the work required. They do this, not from mere ostentation, but from reasonable motives; because they desire that those they employ should serve them cheerfully, and be anxious to remain in their service; because they do not like to drive a hard bargain with people whom they are in constant intercourse with; and because they dislike to have near their persons, and continually in their sight, people with the appearance and habits which are the usual accompaniments of a mean remuneration. Similar feelings operate in the minds of men in business with respect to their clerks." (*Principles of Political Economy*, by John Stuart Mill, Vol. I pp. 461 - 475.)

There would be considerable difficulty in applying the rules laid down by political economists with regard to the wages of labor to the case of bank clerks. A banker does not hire a clerk because he is the cheapest man he can get, nor does he dismiss him as soon as he can get another man to do the same work at a lower price. He would not find it his interest to do this; for his work is of a peculiar kind. His clerks must have a certain degree of education and of manner, and be taken from a certain class in society. They are not allowed to engage in any other employment; they have to maintain a respectable appearance; they must be qualified, not merely for the lowest post in the bank, but must be prepared to take higher posts should vacancies occur. And in every post they are intrusted with a large amount of property, and upon their integrity and prudence much reliance must at all times be placed. All these circumstances serve to show, that, in fixing the amount of their salaries, the banker should be anxious to err (if he err at all) on the side of liberality.

He ought also to take into consideration the effect which the amount of

Salaries.

salary produces on the mind and condition of the party receiving it. If an advance of salary quickens the attention or the zeal, or strengthens the fidelity of a party, or induces him to cultivate those talents which add to his efficiency, or if it enables him to move in a higher class of society, and gives him a station and an influence which enable him to be useful to the bank, then is such advance of salary, though entered in the books under the item of expenditure, an outlay of capital which is repaid to the banker with interest in the effect it produces,—an outlay that becomes probably one of the most profitable of his investments. We have great pleasure in transcribing the following letter from Mr. Samuel Jones Loyd. It was addressed to the chief clerk of his London bank. We abstain from all eulogium, as the letter will speak for itself:—

“DEAR MR. KIRBY,—The inclosed draft for £1,000 I request you will place to the credit of the ‘Clerks’ Christmas Fund.’ At the close of the first year since my accession to the head of this concern, I am desirous of offering to those through whose assistance I have been enabled to bring it to a satisfactory conclusion, some substantial proof of my sense of their services, and of the interest which I feel in all that concerns their comfort and happiness. The year now closing has been marked by some circumstances of an accidental and temporary character, which have tended to throw an unusual degree of labor and trouble on the clerical department of the office. Of the readiness with which this difficulty has been met and overcome I am very sensible; and for this, as well as for the uniform zeal and integrity with which the general duties of the office are discharged, I beg that the clerks will accept my grateful acknowledgment, and that you and they will believe me to be the faithful friend of you all.

“S. J. LOYD.

“*Lothbury, December 24th, 1845.*”

In all banks the junior clerks have lower salaries than the senior clerks. In Scotland, a clerk usually serves an apprenticeship of three years, during which he receives but a small salary. This plan has been introduced into some of our country banks. In London it does not exist. In the private banks, a junior clerk usually commences with £60 a year, and a portion of the Christmas money. In the joint-stock banks, where no Christmas money is allowed, the commencing salary is usually £80. But the rules of advance are various, and, indeed, must be so, depending as they do upon the prosperity of the banks, and other contingent circumstances. One bank may assign a certain fixed annual increase to each clerk, whether he advance in rank or not. In this case, his salary will be regulated entirely by the number of his years of service. Another bank may have a fixed salary for each post, and a clerk has no increase of salary except when he takes a step in rank. Another bank may adopt a scale of salaries combining the principles of the other two. For instance, every post in the bank may have a fixed minimum salary. But each clerk holding a post for a certain period (say for five years), has an annual advance for that period. Then he stops, and receives no further advance until he is promoted to the next post, where again he becomes entitled to the annual advances belonging to that post. We give no opinion as to the respective merit of these plans. But there is one principle we would enforce, that the salaries of the clerks should be regulated by the prosperity of the bank. If the bank is prosperous, the clerks ought to share in its prosperity; and if the bank is unfortunate, the clerks must consent to share in its ill fortune. But, under any circumstances, a scale

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of salaries is desirable. It prevents caprice on the part of the bank, and jealousy on the part of the clerks. The amount of salary in each case should be fixed by rule, and not by favor.

With reference to this subject we quote from Mr. Taylor's work, entitled "*The Statesman*," a work which he states to have been the result of twelve years' official experience:—

"It is often said, that in order to get efficient service good pay must be offered. But this is not true as applied to first appointments of young men. On the contrary, it will often happen that the largeness of the temptation, by bringing into activity the most powerful interests through which abuses of patronage are engendered, will lead to the appointment of a worse man than would have been obtained by a smaller offer. On the other hand, though men of promise are to be had cheap, whilst they are young and their value is little known to themselves or others, they cannot, when this is no longer their condition, be kept for a small consideration, or at least kept contented. But a reasonable degree of contentment is of essential importance where the understanding is the workman. There is no position so strong as that of a man who stands upon his head; and if he be not induced to the activity of just thinking and clear reasoning, he will hardly be coerced to it. Upon the whole, therefore, I would say, that what is most conducive to good appointments in the first instance, and thenceforward to deriving benefit from them, is to offer small remuneration to the beginner, with successive expectancies proportioned to the merits which he shall manifest, and of such increasing amount as shall be calculated to keep easy, through the progressive wants of single and married life, the mind of a prudent man. Upon such a system, if unfit men belonging to influential families shall make good an entrance into the service, they will be more easily got rid of; since, finding that they have got but little in hand, and have but little more to look to, they will hardly be desirous to continue in a career in which they must expect to see their competitors shoot ahead of them."

The following is an account of the total amount of salaries, morning money, gratuities, &c., paid to the servants of the Bank of England in London and at the branches, and of the number of persons to whom the said amount was paid, for the year ending the 29th of February, 1832:—

820 Clerks and porters,	} £211,903 10s. 10d.
38 Printers and engravers,	
82 Clerks and porters at the branches,	
<hr/>	
940, Average £225 each.	

Amount of pensions paid in the same period, 193 pensioners, average £161 each, £31,243 18s. 11d.

Securities.—In all banks the clerks give sureties for their integrity,—usually two, of £500 each; and in some banks these amounts are increased on accession to higher offices. Of late years, societies have been formed, both in England and Scotland, for the purpose of giving, on the part of clerks and others, the amount of security required. These societies allege that,—

"Suretiship by private bondsmen is attended with various inconveniences and objections; instances have constantly occurred in which persons of the highest respectability have been obliged to forego valuable appointments, from either the great difficulty of obtaining security, or a repugnance to place their relatives or friends and themselves under the obligations involved therein. The society undertakes, on the annual payment of a small sum, to make good in case of default by fraud or dishonesty any losses which may be sustained to an amount specifically agreed upon, and

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by such means obviates the necessity for private sureties, as well as the obligations arising therefrom, which often prove as prejudicial to the best interests of employers as to the party seeking guarantee.

"The association offers to the public the following advantages:—

"To the employed.—It obviates the difficulty of obtaining the requisite securities for personal integrity, which has often placed an insuperable barrier in the way of many persons of the highest character and ability; it affords facilities to those in pursuit of employment, and relief from the embarrassment attendant upon asking, with the uncertainty of obtaining, private suretiship; and removes that weight of obligation and discomfort which such engagements necessarily impose.

"To the employer.—The ample capital of the association, with the power and supervision lodged in the Board of Trade, renders the policy of the company much more valuable than that of any individual, inasmuch as it is not liable either to doubt or depreciation. In large establishments, both public and private, where the securities are numerous, and the sureties often resident in many different parts of the country, and known only by repute, it becomes nearly impossible to watch over their continued existence and solvency; and cases of default have frequently occurred when, upon investigation, it has been found that all the sureties have been dead for many years.

"The rates are from 10s. per centum per annum, and upwards (according to the nature of the employment), on the amount of security required.

"No charge is made for stamp duty except in special cases; the usual legal expenses of surety bonds will therefore be entirely avoided by persons who enter on their respective duties under the guarantee of this society.

"A reduction is made in the premium on the sixth annual payment."

The Lords of the Treasury, and a great many banking companies, have accepted the guarantee of these societies.

A new society has recently been formed, entitled "The United Guarantee and Life Insurance Company," the object of which is to grant policies for fidelity of trust, combined with policies of insurance on life, or with deferred annuities or endowments. The following are extracts from the prospectus:—

"Public guarantee and life insurance are, in principle and practice, so closely assimilated, that they may be fairly recognized as the relative accompaniments of each other, and their specific advantages are here mutually presented to the public at a considerable reduction of premium.

"In order to provide against the numerous cases of hardship and constant uncertainty to which private bondsmen are exposed, the directors confidently recommend the combined application of the two principles to all classes who may be called upon to assume the risk, or who may stand in need of it from others.

"The superiority of the policies of a public company has, in consequence of the serious losses which have arisen from decayed or depreciated sureties, induced the heads of public institutions and private mercantile firms to require those engaged in their service to provide the guarantee of a public company, in lieu of, and in preference to, that of private individuals. How much more valuable must that surety become when strengthened and additionally secured by the contingent personal interest (increasing yearly in value) of insurance on life?

"The life policies thus issued, payable either at a given age, say 50, 55, 60, and 65, —or at death, should that event take place before, —or for the whole term of life, —and the deferred annuities, so granted in conjunction with the fidelity policies, will, in the event of breach of trust, be cancelled, and the premiums paid thereon forfeited. This, however, can only occur by a voluntary act of the insured themselves, and will not in any other respect affect the value of the life policies or annuities.

"Particular attention is requested to this system of granting deferred annuities, in conjunction with policies for the fidelity of the annuitants; by which it will be seen that, upon paying a moderate sum annually to this company, any young man of approved character may secure, in addition to a policy for his fidelity, a certain provision of £50 per annum for the remainder of his life, commencing at the age of 50 or upwards.

"To the provident among that numerous class of persons who either hold or are

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seeking situations of trust and responsibility, this company offers the most complete substitute for pensions in old age, which may thus be secured by the insured themselves.

"The value of this union of the two principles will be extended to parties who desire surety policies, and whose health may not be sufficiently sound to render their lives insurable at the ordinary rates; and who may endow a child to receive, say £100, upon attaining the age of twenty-one, — a plan which will be found preëminently advantageous to those engaged in occupations of trust, and of limited income.

"It will be manifestly apparent that the risks thus combined will render the surety policies so granted infinitely preferable to those provided by private sureties and other guarantee companies; and that they hold out to the employers increased security, by making the insured specially interested in their own good conduct; and to the employed or assured, they insure a greater share of confidence from their employers, and independence to themselves, than under the common form of policy, and they are relieved in a great degree from paying for the dishonesty of others.

"Should the insured at any time wish to discontinue the surety policy, the life policy will not be affected thereby, but will remain in force upon payment thenceforth of an annual premium to be specially calculated.

"To persons whose lives are insured in this company, and who may, at any future time, require policies for their fidelity, the directors will be prepared to grant the same, in conformity with the regulations of the company, on the payment of a moderate addition to the premium chargeable on the life policies alone."

The claims of the society are further set forth in a pamphlet on "Public Guarantee and Private Suretiship," published by its secretary, Mr. James Knight.

In the year 1841 the Bank of England took measures for discontinuing the system of requiring sureties from the clerks. Every clerk subscribed annually two shillings per cent. upon the amount of his surety bond. When he had subscribed in the course of five years (or immediately, if he chose) ten shillings per cent., the liability of his sureties ceased. Every new clerk subscribes, when admitted, ten shillings per cent. on the amount of the bond he would otherwise give. These contributions are invested in the Three per Cent. Reduced, or Consols. This fund is fixed at £6,000 stock. When at this amount, the interest is given to the "Clerks' Widows' Fund," a fund established by the clerks, with the assistance and support of the bank. When the claims have reduced the guarantee fund below £6,000, the interest goes to this fund until it has increased to this amount. If the claims reduce the fund so low as £4,700, then the clerks are required to make a further contribution until the fund is again raised to £6,000. But this contribution is never more than two shillings per cent. per annum on the amount of their respective bonds. Nor can any claim be brought against the fund greater than the amount of the bond that would have been required from the defaulter. The clerks still give their personal bonds, which are for the full amount of their deficiencies. This is an admirable plan for a large establishment. In adopting it, the directors have shown a sound discretion, as it makes all the clerks interested in watching over one another. At the same time, they have manifested that kindness and goodwill which have, we believe, at all times distinguished the directors of the Bank of England in their conduct towards their clerks.

V. The System of Promotion.

It need hardly be observed that some posts in a bank are more import-

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ant than others; and it is always desirable that the most clever men should occupy the most important posts. This object is desirable, but how is it to be attained?

The three main divisions of employment in a London bank are, the cashier's department, the accountant's department, and the teller's or out-door department. All the clerks enter, in the first instance, in the tellers' department, and their first duties comprise the collection of the payment of bills. The senior tellers are occupied within doors in various duties connected with the out-door operations. From this department, as vacancies occur, the clerks are promoted to higher posts in either the cashiers' or the accountant's department.

It is, of course, only in large banks, where there is necessarily a great subdivision of labor, that these three departments exist in a separate form. In smaller banks, though the duties are the same, yet one clerk may, in one day, perform duties belonging to each of the three departments.

The Cashiers' Department.—The cashiers* of a bank stand at the counter, and attend to the public. These officers, in Scotland, are called tellers; but in Scotland their duties are less important, as tellers pay no cheques until they have been marked by the accountant, who is their superior officer. We should form a very inadequate idea of a cashier in a London bank, if we considered him only as a mere counter of money. Quickness in counting money is indeed one very necessary qualification. But, besides this, he should have such a mental organization that he can recollect the general average of each customer's balance, so as to be able to pay their cheques without a too frequent reference to the ledger-keeper. He should also possess a quickness of eye in detecting forged signatures, — a self-possession, so as to be cool and collected when the counter is thronged with people, — a command of temper, so as not to be irritated by undeserved reproach, — and not only a general courtesy of manner towards the public, but a peculiar urbanity towards the customers of the bank, with a readiness and an anxiety to promote their convenience in any matter on which they may require information or advice. In fact, it may justly be said, that there is no class of clerks on which the reputation of a bank with the public so much depends as on the cashiers. And hence, in London banks, those clerks who are deemed the quickest, the most able, and the most gentlemanly, are usually promoted to this office.

The *Accountant's Department* refers to the keeping of the books and the accounts. The main qualifications for the clerks in this department are, good hand-writing, accuracy in figures, and method in the arrangement of their work. Slowness is no positive disqualification, provided it be associated, as it often is, with application and perseverance. An accountant is not compelled to do any given quantity of work within a given time. By a proper arrangement of his duties, he can usually contrive to keep himself pretty equally employed during the whole of the day, and on busy occasions he can perform what remains in the evening, after the hours of public business. A steady perseverance is of the first importance. But we must distinguish between those qualities required in the clerks of the accountant's department, and those required in the accountant himself.

* In the United States termed Tellers. — A.M. EDITOR.

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The chief accountant in a bank is not a mere book-keeper. It is one thing to keep a set of books previously prepared and arranged, and another, to frame a set of books, or a new system of book-keeping, adapted for any operation that is proposed to be carried on. In the latter case, mental powers are required that are by no means common. And even where a system is established, the chief accountant of a bank will often have occasion to consider the best way of passing certain transactions through the books, of framing abstracts of operations which the books may not immediately supply, of making difficult calculations, and of examining lengthy and complicated accounts, and exhibiting them with clearness and brevity. A good system of book-keeping, and a clear-headed accountant, would have prevented many a bank from stopping payment.

From this statement of the qualifications of cashiers and accountants, it will appear that most clerks will be more fitted for one office than the other, and it is desirable that each clerk should be placed in the department for which he is best adapted. Where there is no peculiar adaptation, and where there is no marked difference, among the clerks, the promotion should go according to seniority, — not seniority in regard to age, but seniority according to the time they have been in the bank. But it will often happen, not only in the first, but also in subsequent steps of advancement, that the clerk who is entitled to a vacant post by length of service, is not so well qualified for it as some of his juniors. But even in this case, the individual should not be passed over, if he can perform the duties with an average degree of efficiency. Should he, however, be wholly unqualified, or fall below mediocrity in his qualifications for the office, there should be no hesitation in promoting over him some other clerk better adapted for the office. As, however, all such cases will give rise to some suspicion of favoritism, and as the party who is passed over is sure to think himself unfairly treated, it is desirable that the clerk thus promoted should possess such a marked superiority over the other, that no doubt can exist of the justice and propriety of the arrangement. On this subject, we again quote Mr. Taylor's "Statesman": —

"The claims of promotion are twofold: first, merit; second, length of service. And the difficulties to be considered are those which arise when these claims clash; that is, when the most meritorious officer is not he who has served the longest. And, having regard to the large public interests and the deep individual concerns with which they deal, it may be stated broadly, as a general rule, that merit, or in other words, industrious ability, should be the one essential consideration to be regarded in their promotion. But the question then arises, Will the judge be always incorruptible and infallible? And if not, how are injustice, favoritism, and abusive promotion to be guarded against? The answer, as I conceive, is, that there can be no perfect protection against these evils; and that the principle (like most other principles) resolves itself into a matter of degree; and that the protection will be adequate in the main, if the rule of preferment by merit, as against seniority, be applied only where there is a marked distinction of merit. For there are divers securities, each of which may be more or less leaned upon, the aggregate of which will afford in the main all but a certain reliance, where the distinction of merit is marked. If motives of favoritism be at work, the most able and useful officer will, at all events, have a fair chance of being the favorite. But if he labor under some defect (as unsightliness, ill manners, &c.), which, without impairing his public utility, tends to throw him out of favor, he will nevertheless have that hold upon the self-interest of his principal, which he wants upon

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his good will. Further, of this intellectual order of men, there will hardly ever be ten brought together, of whom one will not have a *generally acknowledged* superiority to the rest. Even the vanities of men make them just, as umpires; and he who cannot pretend to postpone nine others to himself, will not consent to postpone himself to any but the best of the nine. It will be found, then, that a man's reputation amongst his fellows in an office will seldom fail to be according to his deserts, and that where the superiority is marked, the award of common repute will be both just and decisive; and being so, it will rarely happen that the patron will be induced by any motive of favoritism to brave the reproach of disregarding it. In short, it is the nature of industrious ability, acting through various methods and upon various motives, to vindicate its own claims under any system in which those claims are recognized; and the system which shall conform to this natural tendency, and be so framed as to legitimate the rising of what is buoyant, will be found to work the best.

"There is, however, a certain moderating hand to be applied, even in the preferment of merit. Except in urgent and peculiar cases, in cases of extreme necessity on the part of the service, or extraordinary endowments, and character also, on that of the individual, preferment should proceed, as Lord Bacon teaches, '*per gradus, non per saltus.*' For, besides the ordinary evils attendant upon sudden elevations, it should be observed that the hope, and not the fact, of advancement is the spur to industry; and that by a large dispensation of reward at once, which cannot be followed by like rewards in future, the patron sinks his capital, and forestalls that revenue of reward which should furnish him with resources of inducement through successive years. Moreover, if a man be advanced largely at once, there will not only be little room left for his further promotion, but that little room will seem less when measured upon the scale to which his ambition will now expand itself; for he who has advanced by a stride, will not be content to advance afterwards by steps."

VI. The Rules of Discipline.

As the discipline of the office must depend very much upon the chief clerk, a description of his duties will describe many of the duties of the other clerks.

The office of chief clerk requires qualifications of no ordinary kind. It need hardly be said that he should possess a thorough knowledge of the business of the office. He ought also to possess certain moral qualifications, such as a command of temper, a love of order and regularity, a rigid adherence to discipline, accompanied by kindness of disposition and of manners towards his colleagues, a gentlemanly and courteous demeanour, and, above all, he will be expected to exemplify in his own conduct those precepts it may become his duty to inculcate upon others.

The following are the principal duties of a chief clerk:—

To see that the clerks come at proper time in the morning, are not absent unnecessarily during the day, and that they do not leave the bank at night until they have finished their work. To see, by occasional inspection, that all the books of the office are kept in a proper manner; and where he finds this not to be the case, to give such instructions and admonitions as the circumstances may require. To see that during the day the counter is properly appointed, and that no delay takes place in attending to the wants of the public. For this purpose, it is desirable that his desk should be so placed as to command a view of the counter. To see, by occasional inspection, that the customers' books are written up in a proper manner; and in case of complaint, he will personally investigate the matter, and explain it to the customer. To see, early in the morning, that the balance was correct on the preceding night; and when otherwise, he will himself attend on the second or third evening, and direct that

proper means be employed to discover the difference. To count, at such times as may be deemed proper, the money of the several cashiers, and when necessary to report thereon to the banker. To see that all the officers of the bank conduct themselves towards each other and the public in a courteous and gentlemanly manner, and to maintain throughout the office a proper state of discipline and subordination. To take charge of the stationery and other matters used in the office, and to prevent any loss or waste of any portion of the property of the bank.

Besides the points of discipline hinted at in the above description, there are others that may require more particular notice, as

Punctuality of Attendance. — To insure punctuality of attendance in the morning, some banks adopt the practice of keeping a book, in which every clerk writes his name on his arrival; and when the time has expired, a line is drawn, which shows who has arrived in time and who has arrived late.

Punctuality of attendance is an index of character. It may fairly be inferred that those who are the most punctual in the morning will be most attentive to their duties during the day; that they have formed the most regular habits, and are, consequently, the most deserving of promotion. Those, too, who are the most punctual are the most deserving of occasional holidays. They who are habitually late must be regarded as having chosen to take their holidays by piecemeal each day, and they can therefore have no claim to other holidays besides. In all applications for promotion or leave of absence, it is deserving of inquiry, whether the party is usually punctual in his attendance. With regard to absence from illness, it cannot be supposed for a moment that any clerk would pretend to be ill when he is not so, in order to have an excuse for absenting himself from the bank. An act of this kind would show such a want of personal honor as should be a disqualification for holding any office in a bank.

"Few things occasion more dissatisfaction and annoyance to the superiors in a bank than the absence of clerks on every slight attack of illness. Unless a clerk feels himself quite unable to perform his duties, it is very injudicious for him to absent himself. It interferes with his promotion, for his superiors will be reluctant to advance him to any post where his absence would be more inconvenient than while he is engaged in an inferior situation. In addition to this, the superior in the office may attribute the attack of 'bile' or 'indigestion' to the indulgence of a convivial taste, which it will be well for a clerk to avoid obtaining a character for. And, under any circumstances, a man who continues at his post as long as he is able, will stand much higher in the estimation of those with whom he is engaged, than he who forsakes his duties on every trivial occasion." (*The Banker's Clerk*, p. 151, an excellent little work, published as one of the series in the *Guide to Service*, by Mr. Charles Knight.)

A clerk should take care of his own health. We think it is better for him to stand than to sit at his work. His desk should be raised to such a height that he can do this without stooping. He should at all times avoid pressing his chest against the edge of the desk, as that may produce serious complaints. The post most friendly to health is that of cashier.

Punctuality.

He is generally standing ; his attention and mental faculties are in more constant activity, and he is obliged to talk, which is useful to the lungs. It may be doubted whether the exercise of the intellectual faculties, when not carried to excess nor attended with anxiety, is ever injurious to health. Those mental operations which are connected with the office of a bank clerk are in themselves beneficial. It is the confinement, the impure air, and the keeping of the body too long in one posture, that affects the health. Hence, clerks should live at a distance from the bank, and *walk* to and fro. If they reside at the bank, they should take exercise in the open air, either in the morning or the evening. When the weather is bad, they can walk up and down the room, with the windows open. Any kind of amusement that should throw the body into a variety of attitudes, would be useful. Singing is friendly to health, if not carried to excess, nor practised in confined or crowded apartments. Boating, in moderation, is serviceable. Gardening is highly beneficial. A clerk who wishes to enjoy good health should never keep late hours, nor get into debt, nor gamble in the funds. He should also have a hobby, that is, some kind of fixed amusement to employ his time when absent from the bank, in order to change the current of his thoughts, and to counteract those evils that sometimes arise from a monotony of occupation. If this hobby should be of a kind to be useful or instructive as well as recreative, all the better. The great disease against which he should guard is consumption. He will be more subject to this in youth than in more advanced age. And it has been remarked that healthy young men, fresh from the country, when appointed clerks, have become more susceptible of consumption than less robust persons who have been seasoned by a residence in London.

The Bank of England have a medical gentleman who attends at the bank one hour every day. He is employed by the directors upon matters connected with the health of their clerks. Every clerk, when appointed, is examined, to ascertain that he is in good health. If he applies for leave of absence on the ground of ill health, he undergoes a medical examination. If absent from illness, he is visited by the bank surgeon, who reports to the directors upon the nature of his complaint, and its probable duration. If a clerk complains that his employment is injurious to his health, he is examined, and in some cases his employment is changed. If he applies for a pension on account of age or illness, he is also examined. In each of these cases a formal medical report is drawn up, and laid before the directors. The present surgeon is Mr. Alfred Smee, F.R.S., of Finsbury Circus, a son of the chief accountant of the bank. It is not his duty to prescribe for the clerks ; but in the case of the porters or messengers, he acts as their medical attendant, and is paid by the bank.

It is worthy of inquiry, whether this excellent arrangement might not be extended, and adopted by other banking institutions. Why should not every large company give a fixed salary to a medical man to attend to the health of all their clerks ? This would often be useful in preventing illness, or in checking its first approaches. It would thus preclude, in some cases, those inconveniences which are now felt through the absence of

sick clerks; while it would be a boon to the establishment, and save them what, in some instances, must be a heavy item of expense.

Holidays. — It is desirable, on several accounts, that all the officers of a bank, and especially those who are intrusted with cash or other property, should once a year have leave of absence for at least a week or a fortnight. This should not even be optional; it ought to be a fixed rule with which they should be expected to comply. These absences should be arranged to take place at those seasons of the year when they will be of the least inconvenience to the business of the bank. These holidays ought to be readily granted on the ground of kindness and humanity; but where these feelings do not exist, motives of self-interest alone would prompt a ready acquiescence in such applications. In the first place, a great inconvenience is often experienced in large establishments from the illness of the clerks when they are denied proper seasons of relaxation. In this case, the loss of time from ill health is greater than that which would be occasioned by holidays. A sick clerk, even when he attends to his duties, is neither so quick nor so correct, nor can he get through so much work, as a clerk who, by proper recreation, has been kept in perfect health. These occasional holidays tend very much to improve the efficiency of an office. When a clerk is absent, the next in seniority takes his place; and when all the clerks have been absent in turn, every duty in the bank becomes perfectly familiar to at least two persons, so that in the case of those absences which arise from unavoidable causes, little inconvenience comparatively is felt. But while the bank is thus rendered independent of any one individual, it must not be supposed that the absence of a clerk lessens the importance attached to his services. When a clerk is really efficient, an occasional absence renders his value more apparent, and increases the estimate formed of his character; while the indulgence he has received will stimulate his energies and increase his desire to render himself more than ever useful to his principals.

Another advantage to a banking establishment from the absence of their clerks is, that it furnishes an additional guarantee for their honesty. We have known instances of frauds being carried on for several years by clerks who were constant in their attendance, while a single day's absence would necessarily have led to a detection of their dishonesty. When a clerk takes his holidays, all the property under his care is given over into other hands, and the knowledge that he will be called upon to do this periodically, may deter him in the first instance from commencing a career which must thus be necessarily exposed.

The following is stated in a city article of the *Times* to be the arrangement of the Bank of England on this subject: —

"It is not generally known that the Bank of England have recently entered into an arrangement by which all the persons on the establishment are allowed leave of absence once every year, the holiday varying in length according to the length of service. To carry out this plan, the whole number of persons is divided into four portions, and each of these four portions takes the vacation in one of the four periods of the year that follow the payment of the dividends, and precede the shutting, these being the periods in which the least business is done. So complete is the system, that the parties who take their holiday in the spring quarter one year, take it in the summer quarter in the year following, and so on through all the four, that one may not have an unfair

Bank Books.

advantage over the other. The shortest holiday, we understand, is about nine days, and the longest about three weeks."

Customers' Books. — It should be a great object with the chief clerk to see that the customers' books are written up correctly and neatly, in a good hand-writing, and free from blots or erasures. These are the only books that go out of the bank, and therefore they are the chief means by which the customers can judge as to the manner in which the business of the office is conducted. It is not advisable that the writing up of these books should be left to the junior clerks. They should be placed in the hands of clerks of some standing. The same book should always be written up by the same clerk; and, when it can be so managed, the credit and debit side should both be in the same hand-writing. One of the best writers in the office should be appointed to this post, and his salary should be proportionate to its importance.

It is the practice of all bankers to let the customers' book be a copy of the ledger with the sides reversed; thus the credit side of the ledger is the debit side of the customers' book. The reason assigned for this is, that the ledger is the banker's account against his customer, and the book is the customer's account against the banker. Hence the customer, when he looks at his book, has at his left hand the sums with which he has debited his banker, and at his right the sums which are to the banker's credit.

Cashier's Deficiencies. — It cannot be expected that a cashier can receive and pay away money for a whole year, and yet never make any mistakes. Some deficiencies will be sure to arise. Each cashier is considered liable to make good his own loss. But, to meet these deficiencies, some banks allow to each cashier a certain sum, — say £ 20 or £ 30 per annum, — which is called risk-money. Others pay such deficiencies as may arise during the year, giving an admonition to any cashier whose deficiencies are unusually large. Superior accuracy in this respect is also considered as one test of superior merit, and therefore as forming one claim to promotion. When a cashier takes his holidays, he delivers up his cash to the chief clerk, who counts it and sees that it is correct, and then delivers it to the clerk who is to act for the cashier, who signs an acknowledgment in the money-book that he has received the right amount. The cashier, on his return, will make a similar entry. It is said to be the practice in some establishments for the chief clerk to count the cash of all the cashiers every Saturday night. But when, from the extent of the business, this cannot be done, he counts the cash of each cashier individually, at such times as may be most convenient to himself, giving the cashier no previous notice of his intention to do so. He immediately reports to the banker any deficiency he may discover. In all banks it is understood that the cashier is not allowed to apply any part of the bank money, even temporarily, to his private use, nor to lend any sum, however small, to the other clerks, upon their I. O. U.s or other engagement. Any violation of this rule, though with no fraudulent intention, is considered a sufficient ground for instant dismissal.

Gambling in the Funds, or in Shares. — Some banks make it a rule to dismiss any clerk that is found to be engaged in transactions of this kind.

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The evil effects of such practices are very great. Speculative engagements will necessarily distract their minds, and draw their attention from their official duties. If unfortunate, their personal comforts may be diminished: they may incur debts that will require years of saving to liquidate, or they may be tempted to actions which would ruin themselves and disgrace their families.

VII. The Training of Clerks for higher Offices.

Whatever natural talents a young man may have when he enters a bank, he cannot be expected to perform his duties well until he has been instructed. There is a good way and a bad way, a quick way and a slow way, of performing even the most simple operation. Incorrect or slovenly habits, when once acquired, are not easily abandoned. When, therefore, a young man enters a bank, he should be placed under the tuition of another clerk, well qualified to instruct him with regard to all his immediate duties. It is also desirable that the chief clerk should not have much manual labor, but should have leisure to walk round the office, stand for awhile at the elbow of each clerk, observe his peculiar defects, and give such instructions as he may deem necessary or useful. The senior clerks generally should also be ready at all times cheerfully and courteously to give instruction to their juniors.

There are many ways of ascertaining the relative merits of a clerk. There is one obvious way; that is, to inspect the books which he keeps. It can readily be seen if they are kept in a good and neat hand, if there are any blots or erasures, and if they indicate any great degree of carelessness or otherwise. Quickness is generally an evidence of cleverness. A clerk who can count notes very fast, or who can cast up a long column of figures very quickly, and yet accurately, is generally a clever man. Quickness of hand denotes quickness of head, and it will generally be found that these two kinds of quickness go together. We do not say that this mechanical quickness of head proves soundness of judgment, but neither does it prove the reverse. In a clerk it is a decided recommendation.

Another test of the cleverness of a clerk is, the opinion formed of him by his fellow-clerks. When men associate together day after day for a number of years, both their excellencies and their defects become known to each other, and each man falls into the position to which his qualities entitle him. The opinion which any one clerk expresses of the relative merits of the other clerks will generally be correct, when his own interest is not concerned. The opinion he may express will, in fact, be the opinion of the office, formed, not only on his own experience, but also on the experience of all the other clerks.

The report of the chief clerk will generally express this united opinion of the office. But it is well for a banker to keep himself well acquainted, at all times, with the sentiments generally entertained by the chief clerk respecting the other clerks, and not ask his opinion merely when there is an opening for promotion. On these occasions, feelings of kindness, or the reverse, may induce a chief clerk to speak of the party in a somewhat different tone from that which he would employ in ordinary times.

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With a view to the proper training of clerks, it is desirable that there should not be too many in proportion to the work. If the clerks are unemployed for any considerable portion of the day, their habits of attention, of industry, and of quickness are impaired, so that they do less work even in those hours in which they are occupied. The duties of each clerk should be sufficiently heavy to require a continuous application of the mind during the whole of the working hours. If a banker find that the clerks have time to read books or newspapers, or to carry on either gambols or quarrels among themselves, during the hours of business, he may safely infer that he has too many hands. By reducing the number, he will make each clerk more efficient, and the work will be better done. He will also be able to increase their salaries individually. It is better that the same amount of money should be distributed among a smaller number of effective men, than among a larger number who are less effective. The amount of Christmas money received by each will also be greater.

For the purpose of training the clerks, it is desirable that their labors should be so subdivided as that the duties of one office should be a training for the office immediately above it. The clerk, on his entrance into the bank, will thus have to perform those operations that require the least degree of professional knowledge,—of knowledge peculiar to the business of a bank,—and will advance step by step (each step requiring but a small addition to his previous knowledge) to the higher posts. When it is ascertained for which department—the cashier's or the accountant's—the teller is best adapted, he should be put into that post the operations of which will form the best training for those duties which, when promoted, he will have to discharge.

The occasional absences of the clerks are conducive to their improvement. The juniors thus learn to perform the duties of their superiors. New arrangements are formed temporarily for a different division of labor, and, the hands being fewer, an additional stimulus is given to exertion. It is also useful, when it can be done, for the clerks to change occasionally, and do each other's work. Every clerk should be encouraged to suggest any improvements for abridging or facilitating his own labor. When a bank has several branches, it is often advisable that an occasional absence at one branch should be supplied by a clerk brought from another branch. A good inspector of branches will inspect the cashier's and the accountant's department, as well as the manager's; and when he finds any improvement at one branch, he will introduce it into all the other branches.

But the greatest stimulus to improvement in the clerks is an impartial system of promotion. It is, perhaps, desirable that instances should occur sometimes of a clerk who is entitled to a higher post, from seniority, being unfit to take it, in order to show that superior merit is regarded. But it should always be obvious that the clerk who is promoted has superior merit. If a clerk is put over the head of another from favoritism, or caprice, on the part of the banker, or from the influence of friends, customers, or shareholders, or even for qualities good in themselves, but not increasing his efficiency as a clerk, then will great evils arise from his ap-

pointment, even though he should be as well qualified as the man who was entitled to the post from seniority.

Another effectual means of training clerks is the daily balance.

The books are balanced every night, before the clerks leave the bank. But mistakes will necessarily occur during the day, and to discover these will occupy a little time. The total amount of error is called "the difference"; and to endeavour to discover the error is called "searching for the difference." Those clerks who are thus employed in the evening are said to be "upon the balance." In large establishments, it is usual to divide the whole body of clerks into classes, who take it in turn to be "upon the balance." By this arrangement, all those who are not "upon the balance" can leave the bank as soon as their own work is done. The smaller the number of clerks on the balance, the better. Thus, in a bank of forty-two clerks, six would be sufficient to be on the balance. If a larger number—say twelve—were retained, the juniors would do nothing, or else they would be employed on the inferior books, from which they would learn nothing. But when only six are retained, they must all work, and, what is better still, they must all think. They will all acquire a thorough knowledge of the whole system of book-keeping, and be able to ascertain in what way errors in one book may counteract errors in another book, and how the errors discovered will bear upon "the difference." In large establishments, almost the only way in which a junior clerk can learn the whole system of book-keeping, is from being "upon the balance." But this is an effectual one. It also gives him an opportunity of showing his talents. Some clerks are far more quick in discovering the difference than others are; and this quickness is generally a fair criterion of the general talent of the party. The clerk who "skulks" the balance, avoids the best means of improvement, and the best opportunity of showing his talents. But such persons have usually no talents to show. A clerk who acts in this way betrays a consciousness of being a fool.

We have here spoken of that kind of training which is adapted to the making of clever clerks. But as in the joint-stock banks a clerk may become a manager, it is desirable that those clerks who are deemed the most clever should be put under a course of training that will, with experience, qualify them for that office. It is, in some respects, more difficult to do this in a large establishment than in a small one. In a bank that has forty clerks, one clerk sees only a fortieth part of its operations. In a bank where there are only ten clerks, one clerk sees a tenth part, and may easily acquire a tolerable knowledge of the whole. A bank that has many branches has a great facility for training clerks to become managers. When a branch manager is absent from illness, or any other cause, one of the senior clerks of that or some other branch will take his place, and thus gradually become accustomed to the duties of the office.

The clerks thus selected for this kind of training should be young men who are quick and efficient in the discharge of all their official duties, and, moreover, possess a good temper, gentlemanly appearance and manners, a degree of literary information, with a desire of improving their knowledge and their talents. They should not be young men who have en-

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tered the bank until they can get something better, but those who look to banking as their profession, and are ambitious of attaining to the highest posts in the establishment. But beyond the qualities we have enumerated, it is necessary, above all things, that they should have habits of business.

"Habits of business is a phrase which includes a variety of qualities, — industry, arrangement, calculation, prudence, punctuality, and perseverance. And these virtues are exercised, not from the impulse of particular motives, but from habit. If you hear a man boast of being industrious, you may safely infer that he does not possess the habit of industry, for what a man does from habit, he does mechanically, without thinking of the merit of his actions, though they may be highly meritorious. Habits of business are essential to a merchant. But though essential to a merchant, they are not peculiar to him. They are as necessary to a professional man as to a merchant, — as necessary to ladies as to gentlemen, — as necessary for the government of a family as for the government of a commercial establishment. The greater the intellectual talents of the individual, the more necessary are habits of business to keep him steady in his course. The more canvas he spreads, the more ballast he requires. If we examine the history of those illustrious characters who have risen to eminence as the masters, the legislators, or the instructors of mankind, we shall find they have been as much distinguished by their habits of business, as by the superiority of their intellect. While, on the other hand, we could easily point out, in every science and in every path of life, some young men who, though of towering genius, have become lost to themselves, and have disappointed the hopes of all their friends, through a want of habits of business. They have burst upon the world with more than noontide splendor, they have attracted universal notice, they have excited big expectations, and suddenly they have darted into an oblique course, and passed into oblivion." (*Lectures on Ancient Commerce*, by J. W. Gilbert, p. 94.)

If a clerk be intended to be trained for a manager, it may be questioned whether he will be improved by remaining a long time as a clerk. The two offices are very distinct, and they call into operation distinct qualities and operations of mind. A very old banker's clerk (unless he has been a chief clerk) is generally, from the very length of his service, disqualified for being a manager. Seven to ten years' experience as a clerk is quite long enough, and after that period the sooner he becomes a manager the better, provided he has the necessary qualifications. Even during that time he should have been occasionally employed in those operations that require the exercise of his faculties as a man of business. It has often been said, that good servants make bad masters. If this be true, it is probably the result of an intellectual more than a moral deficiency. A lengthened service causes the mental faculties to move in a routine from which they cannot be suddenly aroused into an attitude of independence, so as to be able to trace causes and effects, to balance opposing considerations, and to engage in those reasoning processes which are required by the exercise of authority. Hence it is, that before a clerk is appointed a manager, he should undergo some kind of training. The best training for being a manager is that of being chief clerk, or of holding an equivalent post next to the manager. It will necessarily follow that the holder of such a post will have occasionally to take the place of the manager, and the manner in which he may then act will be a fair criterion by which to judge of his qualifications for that, or a similar situation.

Among the means of training clerks for superior offices, we should give

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a high rank to the formation of a library of banking books, to which the whole of the establishment should at all times have access. The remarks we made in a letter, addressed to the manager of a country bank, in the year 1846, and which was afterwards published in the sixth volume of the *Bankers' Magazine*, are, we think, not inapplicable to this subject:—

“I wish you would advise your directors to celebrate their success by sending to each of their branches monthly a copy of the *Bankers' Magazine*. It would be sent direct from London, the last day of the month, I believe, free of expense; and as the number of next month will commence a new volume, they could not begin at a better time. I am sure, this would be a profitable investment of some portion of your surplus funds, and would yield an ample return in the results arising from the increased knowledge and skill of your managers. Here they will learn points of *law* and of *practice*, with which they were previously unacquainted, and be better prepared to deal with such cases when they occur in their own experience. It seems peculiarly necessary that managers of branches, who have not the opportunity of immediately consulting with any of the directors, should be supplied by the bank with the means of obtaining this kind of information. Losses are sometimes incurred by joint-stock banks, through the want of knowledge of a little banking law on the part of their principal officers. The managers would not be the only gainers. The other officers of the branches would have the opportunity of self-improvement; and thus routine clerks might become intelligent bankers, and you would train in your own establishment a constant supply of able men, to take the places, when necessary, of the existing managers. It is one of the excellencies of our system, that the junior clerks may look forward to being placed at the head of the establishment; but this can only take place in those instances wherein the clerks endeavour to acquire that professional and general knowledge which is necessary in the present day, in order to discharge the duties and maintain the position of a manager. Unless they do this, those who are now clerks will remain clerks as long as they live, and the next generation of managers will be taken from the more instructed classes of society.”

The manager of a joint-stock bank in the midland counties, on whom we called last summer, informed us that his directors had recently voted £100 towards the formation of a bank library. To the directors of other banks we would say, “Go and do likewise.”

In training clerks for intellectual offices, it is advisable not to give them too many instructions with regard to minute details. They should be taught to think for themselves. A man's talents are never brought out until he is thrown, to some extent, upon his own resources. If, in every difficulty, he has only to run to his principal, and then implicitly obey the directions he may receive, he will never acquire that aptitude of perception, and that promptness of decision, and that firmness of purpose, which are essentially necessary to those who hold important and responsible offices. Young men who are backward in this respect should be intrusted at first with some inferior matters, with permission to act according to their discretion. If they act rightly, they should be commended; if otherwise, they should not be censured, but instructed. A fear of incurring

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censure, a dread of responsibility, has a very depressing effect upon the exercise of the mental faculties. A certain degree of independent feeling is essential to the full development of the intellectual character. It should be the object of a banker to encourage this feeling in his superior officers. Those bankers who extend their commands to the minutest details of the office, exacting the most rigid obedience in matters the most trivial, harshly censuring their clerks when they do wrong, and never commending them when they do right, may themselves be very clever men, but they do not go the way to get clever assistants. At the same time, they exhaust their own physical and mental powers by attending to matters which could be managed equally well by men of inferior talent.

After a clerk has become a manager, his education has yet to be completed. Lord Bacon observes, that reading makes a wise man; writing, an exact man; and conversation, a ready man. Whatever knowledge he may have acquired by reading or otherwise, however exact he may have been in the discipline of the office, the young manager has yet to become a ready man. He has to apply his knowledge promptly and independently, and, at the same time, wisely. This habit he will acquire by time. The exercise of authority over other men produces an independence of mind which is friendly to the maturing of the understanding; while the necessity for giving immediate decisions in conversation with his customers will have a tendency to produce promptness of judgment. There is no profession in which experience is more useful than in banking. But it is useful, not so much in the amount of knowledge that is acquired (though that is important), as in the improvement it imparts to those intellectual faculties which are called into exercise. It is by constant practice that these faculties gather strength. Habits are formed by repeated acts, and they can be formed in no other way.

Before closing this section on the administration of the office, we may observe, that although the duties of a chief clerk are quite distinct from those of a banker, yet in small establishments they are often performed by the same person. In branch banks, generally, the manager is both the banker and the chief clerk. But as the branch increases, the manager will gradually transfer to the second officer the duties of the chief clerk, and confine his own attention to those of a banker. It is too much the practice in England to view a bank manager as holding the same relative position in a joint-stock bank which a chief clerk does in a private bank. This is an error. A manager is not a banker's clerk,—he is a banker. And although he may reserve some important cases for the consideration of his directors, yet they are usually such cases as a private banker would reserve for consultation with his partners, or on which, had he no partners, he would take time to form his own determination.

It may also be observed, that although the government of the office will generally be left entirely to the chief clerk, and it is not necessary that the banker should be made acquainted with all the trivial delinquencies of the clerks, yet there are certain acts of misconduct that must always be reported, and when reported must be dealt with by the banker himself. In a well-disciplined establishment these cases will be rare, but they will occur sometimes, and then the mode of reproof or punishment

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will be regulated by the kind of offence and the character of the party. Every act of dishonesty, however trifling the amount purloined, must be followed by instant dismissal. Acts of deliberate disobedience to orders, gross disrespect to superior officers, or acts of immorality that would bring discredit on the bank, will generally be visited with the same punishment. But extreme punishment should be inflicted only in extreme cases. Mere accidental errors, though they may sometimes occasion great loss, must not be treated in the same way as those faults which arise from gross neglect, or which imply a deficiency in personal honor. It is generally a good rule, that a banker should not reprove a clerk in the presence of the other clerks. By following this rule, he can adapt his reproofs to the character and position of the party; for a valuable clerk, even when really culpable, is not to be treated in precisely the same way as another whose services are of less importance. Nor is it any violation of justice, that those faults which arise from inadvertence should be viewed differently from those that arise from bad habits. Nor will it tend to impair the discipline of the office should it be known that a good character will sometimes get a young man out of a scrape, while he who had not that good character would be punished more severely for a less important offence. Another rule to be observed in administering reproof is, in reminding a clerk of his defects, to commence with telling him of his *good* qualities. There is a credit as well as a debit side in every man's character; and it seems hardly fair to run over all the debit items, and say nothing of the other side of the account. This plan, too, in creases, instead of diminishing, the pungency of the reproof, while it removes from the mind of the party any impression that the banker is influenced by motives of personal dislike.

SECTION XII. — BANKING BOOK-KEEPING.

“ALTHOUGH the business of keeping books is extremely easy when once the accounts are properly arranged, yet the adaptation of the principle of double-entry to extensive and complicated transactions, so as to receive the full benefit of the system, is a process which requires the most complete knowledge, not only of the *practice*, but also of the *science*, of book-keeping.”

“Book-keeping, like all other arts, can only be mastered by industry, perseverance, and attention. The learner must think for himself, and endeavour to understand the *why* and *wherefore* of all that he does, instead of resting satisfied with vague notions and words devoid of sense.”

“The study of book-keeping affords an excellent means of intellectual discipline; that is, when its principles are exhibited as well as their application. When the reasoning powers are called into exercise as well as the memory, the student who has carefully attended to the instructions, and who is the *master* and not the *slave* of rules, will experience no difficulty in unravelling or adjusting any set of accounts, however complicated or diversified.” (*Double-Entry Elucidated*, by B. F. Foster.)

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We have commenced this section with these quotations in order to quicken the attention of the reader to a subject, which, by those who do not understand it, is considered complicated, and by those who do understand it, is considered dull. It is, in fact, neither the one nor the other. But still it is a subject on which it is difficult to write in such a way as to avoid the possibility of being misunderstood. We purpose in this section : —

- I. To notice those Preliminary Operations with which a young Book-keeper should become acquainted.
- II. To describe the system of Banking Book-keeping as published in the former edition of this work.
- III. To state those Improvements of which this system has been found to be susceptible.
- IV. To trace the Resemblance between Banking Book-keeping and Mercantile Book-keeping.

I. Preliminary Operations.

When a young man enters a bank as a clerk, he should be instructed to be careful with regard to his hand-writing, or, in his anxiety to write fast, he may forget to write well. If he write a bad hand, he should not be above taking a few lessons from a professor of penmanship, who will teach him to write fast and well at the same time. But, however badly he may write, he should try to write plain. Plainness is of more consequence than neatness or elegance. He should be very careful in writing the names of the customers of the bank. If he write them illegibly, there will be a loss of time in making them out, or they may be misunderstood, so that money may be posted to the wrong account, and thereby loss arise to the bank. On this account also, when two or more customers have the same surname, he should be very careful to write the Christian names fully and distinctly.

The necessity for writing quickly, and the want of carefulness at first, are the causes why so few bankers' clerks comparatively write a good hand. But they should remember that this is a most important qualification, and a deficiency in this respect may be an insuperable bar to promotion. Without this attainment, a clerk cannot be put to write up the customers' books, nor to make out the country accounts, nor to write the letters, nor to fill the office of secretary. "You ought to be careful to write a plain hand. You impose upon your correspondents a very unnecessary and a very unpleasant tax if you require them to go over your letters two or three times in order to decipher your writing. A business hand is equally opposed to a very fine hand. A letter written in fine, elegant writing, adorned with a variety of flourishes, will give your correspondent no very high opinion of you as a man of business." (*Lectures on Ancient Commerce*, by J. W. Gilbart, p. 239.)

The plan of writing-masters who advertise to teach good and expeditious writing in a few lessons is as follows :—The pupil rests his hand upon the paper without touching it with his little finger. All the motion is then made from the wrist. Those who have to write their names

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many times in succession, such as in signing bank-notes or in accepting bills, will find that on this plan they can get through their work in much less time than if they bend their fingers with every stroke of the pen.

The young clerk should also be taught to make his figures clear and plain, so that a 2 cannot be mistaken for a 3, nor a 3 for a 5. He should also take care that the tail of his 7 or his 9 does not run into the line below, and thus turn a 0 into a 6, and also that the top of his 4 does not reach so high as to turn a 0 in the line above it into a 9. He should be careful, too, in putting his figures under one another, so that the units shall be under the units, the tens under the tens, the hundreds under the hundreds, and the thousands under the thousands. Otherwise, when he adds up the columns together, he will be in danger of making a "wrong cast."

He will also learn to use both hands at the same time. In counting gold or silver coin, he will count with two hands instead of one, and thus do double the work. In *entering* a number of cheques or bills, while he holds the pen in one hand he will hold a cheque in the other, and then turn over the cheques as quickly as he enters them. He will always turn them over one on the back of the other, so that they will be in the same order after he has entered them as before, and when they are "called over" they will come in the same order in which they are entered.

He must also learn to "cast" quickly and accurately. The two main qualifications in this operation are accuracy and quickness. To insure accuracy, a clerk will *cast* every thing twice over. The first time he will begin at the bottom of the column, and the second time at the top. If he begin both times at the bottom of the column, the association of figures will be the same; and if he has fallen into an error the first time, he will be apt to fall into the same error the second time. But if he changes the order, the association of the figures will be different, and he will not be likely to fall into the same error. Quickness can be acquired only by practice. But he will accelerate his speed by making his figures plain, and placing them strictly in a line under one another. He should also learn to cast without speaking, for the eye and the head will go faster than the lips.

He must also be taught to "call over." When he first comes into the bank, he will call this sum, £315 10s. 6d., *three hundred and fifteen pounds ten shillings and six pence*, but he will soon learn that more than half these words may be suppressed, and he will say, *three, fifteen, ten, six*. And so in the larger amount, £4,785 13s. 4d., instead of saying, *four thousand seven hundred and eighty-five pounds thirteen shillings and four pence*, he will call, *forty-seven, eighty-five, thirteen, four*. By proceeding in this way, and speaking quickly and yet distinctly, a column of figures may be called over and checked in a very short space of time. He will, however, take care to avoid ambiguity. Thus, if the sum be £40 5s. 6d., he will not say *forty, five, six*, as that would mean *forty-five pounds six shillings*; but he will say, in this case, *forty pounds, five, and six*. In cases where the pounds consist of five figures, the first two denoting the thousands are expressed separately; thus £25,347 8s. 6d. is

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called over, twenty-five, three forty-seven, eight, six ; and six figures, say £ 468,379 8s. 6d., are called over, four sixty-eight, three seventy-nine, eight, six.

He will also be taught to *balance* ; that is, to find the difference between two sums by *addition*, instead of subtraction. Thus, if the two sums be £ 1,347 16s. 3d. and £ 4,834 19s. 8d. he will be apt, at first, to put one under the other and subtract, in this way :

$$\begin{array}{r} £4,834 \ 19 \ 8 \\ 1,347 \ 16 \ 3 \\ \hline \end{array}$$

Difference, £ 3,487 3 5

But he must be taught to proceed by a mental process, and will add the difference to the smaller number, thus :

$$\begin{array}{r} £1,347 \ 16 \ 3 \\ \text{Difference, } 3,487 \ 3 \ 5 \\ \hline £4,834 \ 19 \ 8 \end{array} \quad \text{---} \quad £4,834 \ 19 \ 8$$

He performs this operation by beginning with the pence, saying, or rather *thinking*, "three and five make eight," and so on. And thus the two sides of an account are made to balance, that is, both sides are of the same amount.

The principle of balancing pervades the whole system of book-keeping. For example, we know that if to the amount of cash in the bank last night we add the amount received to-day, and deduct the amount paid to-day, the remainder will show the amount on hand to-night ; and a novice would very naturally put it down in this form :

	£
Cash on hand last night,	100,000
Received to-day,	60,000
	160,000
Paid to-day,	80,000
	£80,000
Cash on hand to-night,	£80,000

But an accountant would arrange these four items in such a way as to form a balance, thus :

	£			£
Cash paid away to-day	80,000		Cash on hand last night,	100,000
Cash on hand to-night,	80,000		Cash received to-day,	60,000
	£ 160,000		Balance,	£ 160,000

In keeping the Progressive Ledger, the principle of balancing is of constant occurrence. The ledger-keeper brings out a new balance every time he turns to an account. But he never deducts, — always adds. And if he post several articles at the same time, the method is the same, thus :

If the credit balance is	£ 1,214			3	7
And he posts the following sums to the <i>debit</i>					
of the account,	£ 141	2	4		
	8	7	6		
	49	3	11		
	305	4	2		
				£ 710	5 8

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He will add up these items, and mentally add a sum that will make the whole equal to £ 1,214 3s. 7d., bringing out this sum as a new balance, and placing it under the former one as he goes on. Thus he will say, or rather think, "4 and 6 are 10, and 11 are 21, and 2 are 23, and (here he must supply the figure) 8 are 31 = 7 and carry 2"; and he puts down the 8 in the pence division of the balance column; and goes on in the same way to the shillings, and afterwards to the pounds. When he has placed this sum, £ 710 5s. 8d., he adds up the whole, including this sum, in order to check the operation, and to be sure that he is right.

He will then acquire a knowledge of the names and functions of the different books, and of the terms and phraseology used in book-keeping. The same book is sometimes called by different names in different banks, and different terms are employed to describe the same operations. But every clerk should use the language of the office in which he is placed. He should call every book by its proper name, and employ the phrases which are used by others. For instance, if the word "money" is used to denote coin, he must always use it in that sense; and not say "money" when he means bank-notes.

It will be of great advantage to a sensible youngster, if one of the senior clerks should take the trouble to give him a general notion of the system of book-keeping, and show him the connection that exists between the books that he keeps and the other books of the office.

II. We shall now describe the system of Banking Book-keeping, as published in the former editions of this work.

Every person, on opening an account with a London banking-house, enters his name in a book called the Signature-Book, and this book is referred to whenever a draft is presented having a doubtful signature. The person is supplied free of cost with a book of printed drafts, and a cash-book, called in some houses a Pass-Book, in which is entered an account of his debts and credits, as often as he thinks proper to leave it for that purpose.

London bankers do not usually give receipts for money paid into their hands, but they enter the amount into the customer's book. A person paying money on account of a country book, will sometimes require a receipt, and he is then given what is called a shop-receipt, in the following form:—

<i>Received of [the country bank] the sum of one thousand pounds.</i>	<i>London, May 1, 1827.</i>
<i>To account for on demand.</i>	
<i>£ 1,000.</i>	<i>For Hope, Rich, & Co.</i>
	<i>A Cashier.</i>

The name of the party paying the money is not inserted in the receipt, as that would require a stamp.

The payment of a draft, or a bill, is always made either in Bank of England notes, or sovereigns, as the party receiving it may desire. The London bankers never re-issue any country notes or bills of exchange, that may come into their hands. When a cheque is paid, it is cancelled by

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drawing the pen four times, in different directions, across the name of the drawer. In Scotland a paid note or cheque is said to be "*retired*." It is retired or withdrawn from circulation.

Before explaining the banking system of book-keeping, I will define a few terms which are often used in connection with the subject. By the word *bill* is always meant a bill of exchange not yet due. The word *cash* denotes the various items included in a credit or cash entry, and may denote *due* bills, cheques, bank notes, country notes, or coin. The terms *cheque* and *draft* are used synonymously, and denote an order on a banker, payable on demand. The word *draft* is never used in London to denote a bill of exchange, though this use of the term is very common in the country. Both bills and drafts are often called *articles*, and if they are cash, they are styled *cash articles*. An *addressed bill* is a bill made payable at a banking-house. A discounted bill is usually called a *discount*. By *money* is always meant coin. To *post* an article is to *place* or *enter* it in the ledger. One book is said to *mark against* another when the same entry is made in both books. One book is *checked by* another when any error in one book would be detected by some operation in another. To *check* a book, or an account, is to examine it, and prove it correct, or make it so. To *cast*, or *cast up*, means to add together. The *balance* of an account is the difference between the credit and the debit side. An account is said to *balance* when the credit and the debit side are of the same amount. To *balance* an account is to enter the balance, and to add up both sides, and then to bring down the balance as a new amount. The *credit* side of an account, or that on which the cash received is placed to the credit of a customer, is the right-hand side as you face the ledger; the *debit* side is the left-hand side. In London, the establishments of bankers are usually called *banking-houses*, not banks. A person who has an account at a banking-house, is said to *keep a banker*.

I shall now describe the various books in the order of the different departments to which they belong.

I. — The Cash Department.

The principal books in this department are the following:—

1. Two WASTE-BOOKS.—One is called the Received-Waste-Book, and the other the Paid-Waste-Book. In the former is entered an account of all the cash *received*, and in the latter is entered an account of all the cheques and bills *paid*. The Received-Waste-Book is ruled with a double cash column on the right-hand side of the page. In making an entry into this book you will proceed as follows:—First, enter the name of the party who lodges the money; then enter in the first cash column the particulars of which the credit consists, specifying each particular in the space at the left-hand. In receiving Bank of England notes, the number and date of each note must be mentioned; but if the notes are numerous, make them up in a parcel, and write on the outside the total amount, and the name of the party of whom they were received. Call this parcel "*Sundries*" in your entry. These parcels of sundries will be marked,

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and sent to the Bank of England for other notes on the following day. Cheques on your own bank are to be entered by the name of the drawer and the amount. Country notes are to be entered by the name of the London banker at whose house they are made payable. These are distinguished from cheques upon bankers, by stating short the number and denomination of the notes; thus, 1⁰, 2^s. All gold and silver are to be called money. After entering all the particulars of a credit, add them together, and carry out the amount into the farther cash column. At the close of the day add up this outer column, and see that the total agrees with the amount in the Day-Book.

If a customer brings his book with him when he lodges cash, the cashier enters the credit, and returns the book to him, unless it be left at the bank for the purpose of having the debit side also written up.

In receiving money for a deposit receipt, the entry is made in the same way as when the money is placed to a current account; but the words Deposit Receipt, or the letters D. R., are written against the name of the depositor.

In the Paid-Waste-Book is entered an account of all the bills and cheques paid by the bank. This book is ruled on each page with a cash column on the right hand, and another on the left hand, leaving a space between. When a cheque is paid, the amount is placed in the left-hand cash column, then the name of the drawer in the open space, and in the right-hand cash column are entered the particulars of the payment. Bank of England notes are entered by their number. It is not necessary to enter the date, as that can be found if necessary either in the Cash-Book of the preceding evening, or in the Received-Waste-Book, or the Lists of the same day. When a deposit receipt is paid, the same order is observed, but the letters D. R. are added. All gold, silver, and copper are called money. At the close of the day, all the payments are added together, and should agree with the amount in the Day-Book.

Each cashier has a Received-Waste-Book, a Paid-Waste-Book, and a Money-Book.

2. **MONEY-BOOK.** — This is a small book ruled with a cash column on the right-hand side of each page, and it contains an account of all the coin, that is, the gold, silver, and copper, in the bank. Each cashier will enter in his own Money-Book the money he receives and pays in the course of the day. On the left-hand page of the book he will copy from his Paid-Waste-Book the various sums of money he has paid, and on the right-hand page he will copy from his Received-Waste-Book the various sums of money he has received. In each case he will enter against the respective sums the totals in which they are included. Thus, if in paying a cheque of £ 175 2s. 6d., he pay 5-2-6 money, he will enter it thus, "£ 175 2. 6. £ 5-2-6." The money is counted up at night, and must agree with the balance of the Money-Book; and this balance is then entered in the Cash-Book.

3. **CASH-BOOK.** — In this book is entered every night a specification of all the cash in the bank. The items will consist chiefly of Bank of England notes, parcels of sundries, country notes, cheques on other banks, and the balance of the money. The Bank of England notes are entered

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by their number, date, and amount. The parcels of Bank of England notes called sundries are entered by the word "Sundries," then the name of the parties of whom they were received, and the amounts; country notes by the name of the country bank, and the London agent at whose house they are made payable; cheques on other banks by the name of the drawer of the cheque, the name of the banker, and the amount. In this book generally the cash articles are more fully described than in the Received-Waste-Book. In some banking-houses the Cash-Book is called the *Stock-Book*, and in others the *MAKE-UP-BOOK*.

4. *DAY-BOOK*. — This book is ruled with a double cash column at the right-hand side of each page. The accountant enters in the Day-Book an account of all cash paid and received during the day, placing each transaction under the class of operations or accounts to which it belongs. On the left-hand page of the book he enters the cash which is paid, and on the right-hand side the cash which is received. He commences by writing the day of the week, and of the month; then on the left-hand side he writes a heading, "*CURRENT ACCOUNTS*." Under this head he enters all the cheques paid, copying from the cheques the name of the drawer, and the amount, which is placed in the first cash column. The sum of all the cheques is brought forward into the second cash column. The second heading is "*DEPOSIT RECEIPTS*"; under which head the individual receipts paid are entered, mentioning the number, the name of the depositor, and the sum; and bringing out the total amount, as before, into the second cash column.

The accountant may, if he please, make these headings in the morning, leaving such a space for the transactions under each head as his experience may show him to be necessary. Thus, he may keep up his Day-Book throughout the day, and merely have to add it up and balance it when the bank closes. The other headings may be, "*Bills Discounted this day*," "*Interest paid on Deposit Receipts*," "*Bank Premises*," "*Incidental Expenses*," "*Branch Accounts*," &c., answering to the accounts in the General-Ledger.

On the right-hand page, or credit side of the Day-Book, the cash received is entered under corresponding headings, as "*CURRENT ACCOUNTS*," "*DEPOSIT RECEIPTS*," "*BILLS DISCOUNTED PAID THIS DAY*," &c., &c. The entries under the heads of Current Accounts, and Deposit Receipts, are copied from the Received-Waste-Books: the entry expresses only the name and the amount.

After all the entries have been made, add up the debit and the credit sides. To the credit side, add the amount of the Cash-Book on the preceding evening; to the debit side, add the amount of the Cash-Book on the same evening; and if the totals agree, the "*bank is right*," that is, the transactions of the day have been correctly entered; but if not, then the bank is wrong, and the error must be discovered by "*marking off*" the various books.

In large establishments the Day-Book is divided into two books; the debit side forming one book, and the credit side the other book. One is called the "*Paid Day-Book*," and the other, the "*Received Day-Book*." The advantage of this division is, that two persons can be employed at the

Day-Book at the same time. In some banks the Day-Book has three cash columns, the third being used for transfer entries. These are entries in which no cash is actually paid or received by the bank; but an amount is transferred from one account to another. In other banks, all the transfers are passed through the Received-Waste-Book. By some London houses the Day-Book is called the Cash-Book, and its two divisions are called the "RECEIVED-CASH-BOOK" and the "PAID-CASH-BOOK."

5. CURRENT-ACCOUNT-LEDGER. — In this book every customer has a separate account. The sums received to his credit are posted from the credit side of the Day-Book, and the Ledger folio is placed in the Day-Book, in a column ruled for that purpose. The debit side is posted from the cheques themselves, and the Ledger folio placed in the debit side of the Day-Book on the following morning, when the Day-Book is marked against the Ledger. The entry of a cheque in the Ledger includes the date of payment, the name of the party to whom it is payable, and the amount. The entry of a credit includes the date, the word "Cash," and the amount. When the cash is paid into the bank by a third party, it is usual to enter it in the Ledger as "Cash per A. B." When a credit arises from a bill lodged for collection having become due, the *name of the acceptor* is substituted for the word cash.

Some banks follow what is called the *progressive* plan of keeping the Ledger. By this plan the balance is brought out every day, and thus we see the *progress* of the account. In the ordinary way, each page of the Ledger is divided into the debit and the credit side, and each side has ruled columns for the date, the transaction, and the amount. But in the progressive Ledger there is only one column for the date of both the credits and the debits; one space for a description of the transaction, whether credit or debit; and then three cash columns. The first column is the debit column; the second is the credit column; and the third is the column into which the daily balance is brought out. The advantage of this plan is, that you can see at once what sum a party has on his account, without the delay of adding up the debit and the credit columns. Most banks that allow interest on the balance of the current accounts, keep their Ledger on the progressive plan; and, besides the columns I have mentioned, there are, on the right side of the balance column, a space for inserting the number of days the balance may remain stationary, and two interest columns, one for the interest of a credit balance, and the other for the interest of a balance overdrawn. Most banks divide the Current-Account-Ledger into two or more parts, and the names of the depositors are placed in alphabetical order, from the beginning of the first Ledger to the end of the last.

6. DEPOSIT-RECEIPT-BOOK. — Deposit Receipts are receipts granted for sums of money that are likely to remain a considerable time, and upon which interest is allowed. These receipts are distinguished from current accounts. Cheques cannot be drawn against any sum lodged as a deposit receipt; but when the amount, or any part thereof, is withdrawn, the receipt itself must be produced at the bank, and delivered up. The Deposit-Receipt-Book is not kept *ledger-wise*; that is, each person

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has not a separate account opened for him in a distinct part of the book, but the receipts are entered chronologically, according to the date of the lodgment. The entry includes date of lodgment, name of depositor, profession, residence, amount, interest paid, principal and interest. The last two particulars are, of course, not entered until the receipt is cancelled. If a party is desirous of withdrawing only a part of the lodgment, the whole receipt is entered as paid, and a new receipt made out for the sum which remains.

II. — *The Bill Department.*

Bills are divided into two classes, — bills deposited, and bills discounted. Bills deposited are bills lodged in the bank for collection, to be placed, when due, to the credit of the depositors. Bills discounted are those for which the money has been advanced, and which are therefore the property of the bank. These two classes of bills are entered in separate sets of books; but, as the books are kept in nearly the same manner, I shall describe them together.

1. BILL-REGISTER. } These books are kept, as the word register seems to imply, chronologically, the bills being entered immediately after each other, in the order in which they come into the bank. The entry includes date when deposited or discounted, name of ingiver, drawer, acceptor, date, term, when due, amount, daily amount. The bills are numbered, and the register-number placed upon each bill. The daily amount of the Discount-Register is entered in the debit side of the Day-Book, under the head "Bills Discounted this day." I advise that the headings of the columns of this, and of all the other books, be printed. This saves time and prevents mistakes.

2. BILL-LEDGER. } In these books a separate account is opened for each party; and the same bills which have previously been entered in the Registers are entered in these Ledgers; but the entry is much shorter. A full description of a bill is given in the Register only, and the register-number is placed as a reference in every book in which the bill may subsequently be entered. The entry in the Bill, or Discount Ledger, includes date when deposited or discounted, name of acceptor, when due, and amount. In some banks the Discount-Ledger is kept upon the progressive plan, which is very useful, as it shows at once to what amount any party may be under discount. In addition to this, some banks place in the Discount Ledger an account of all bills they may have discounted, to which the party is an acceptor. These bills are distinguished from those which have been discounted for the party himself, by being placed on the left-hand side of the page. This account is also kept on the progressive plan. A Discount-Ledger kept in this way will have three cash columns ruled on each side of the page: the three on the left-hand will be headed "Where Acceptor," and the three on the right-hand will be headed "Where last Indorser." Between the two sets of columns will be entered, date when discounted, register-number, name of acceptor or drawer, when due. The advantage of this plan is, that on turning to any party's account, you see at once the whole

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of his engagements to the bank, whether arising from bills that have been discounted for himself, or bills to which he is only the acceptor.

3. **BILL-JOURNAL. • DISCOUNT-JOURNAL.** — In these journals the bills are entered under the respective days on which they fall due. For this purpose, the day of the week, and of the month, is placed at the top of each page. This book may be made to last exactly a year, by having headings for every day, from the 1st of January to the 31st of December, omitting Sundays. The entry includes the register-number, name of depositor, or for whom it was discounted, acceptor, and amount. The Discount-Journal has three cash columns, — one for the amount of each bill, another for the bills paid, and another for those unpaid. The entry is made in the first column, on the day the bill is discounted; and in the other two on the day the bills fall due. The total amount of bills paid each day is copied from the Journal into the received side of the Day-Book. Those unpaid are entered into the transfer column of the Day-Book, and in the Past-Due-Bill-Book. The Bill-Journal need only have one cash column, as most banks find it more convenient to credit their customers' accounts with all the bills on the day they fall due, and debit them on the following day for those that remain unpaid. Those banks, however, that prefer it, may have separate columns in the Bill-Journal for the paid and the unpaid bills; and, in that case, the unpaid bills are returned on the following day to the depositor, without being passed through his cash account. This is sometimes called being "entered short." Some banks make one book serve the purpose of both a Bill-Journal and a Discount-Journal; one page of the book being used as a Discount-Journal, and the opposite page being used as a Bill-Journal.

4. **THE LISTS.** — Each banking-house divides London into a certain number of districts, according to the extent of its business. Each district is called a walk, and usually takes its name from the direction in which it lies; as the East Walk, the West Walk, and so on. To each walk is assigned a book, in which is entered every day a *list* of the bills due in the walk; and hence the book is called a List. Each List takes its name from the walk to which it belongs; as the East List, the West List, &c. The page is divided into four columns, the first and third of which are cash columns. In the first column is entered the amount of the bill; in the second, the name of the acceptor and the register-number. This is done the day before the bills are due. After the teller has returned from presenting these bills for payment in his walk, he "answers" each bill; that is, he places against it an account of the cash he has received for it, whether cheques, bank-notes, or money. The amount is entered in the third column; and, in the fourth, the description of each kind of cash. If the bill be not paid, he writes L. D. for "left direction," and then enters the bill in the "Unpaid List."

In the UNPAID-List are entered all the bills not paid when presented for payment. In the course of that day or the following, these bills are "answered," either by being paid, or by being passed to the debit of a customer's account, or by being transferred to the Past-Due-Bill-Book. In some banks the Unpaid-List is called the "TAKE-UP-BOOK."

Cheques upon other banks are entered in the Lists in the same way

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as bills, unless the bank sends a clerk to the Clearing-house, and then they are entered in the "Clearing-out-Book."

From this description it will be seen that when a sum is received to the credit of a current account, it is entered in the Received-Waste-Book, copied from thence into the Day-Book, and from thence into the Current-Account-Ledger. When a cheque is paid to the debit of a current account it is entered from the cheque itself into the Paid-Waste-Book, the Day-Book, and the Current-Account-Ledger.

When a sum is received for a deposit receipt, the sum is entered before the receipt is granted in the Deposit-Receipt-Book, and afterwards in the Receipt-Waste-Book and Day-Book. When a deposit receipt is paid, it must be discharged in the Deposit-Receipt-Book, then entered in the Paid-Waste-Book, and afterwards in the Day-Book.

When a bill is discounted, the discount is calculated by the accountant, who at the same time observes if it is drawn on a proper stamp, and is in every respect a regular and negotiable instrument. If the party for whom it is discounted have a current account, the full amount of the bill is placed to his credit, and he is debited for the interest. If he have no account, he is paid the amount minus the discount, and the entry is made in the Paid-Waste-Book. The bills discounted each day are entered individually in the Discount-Register, and the total amount copied into the Day-Book. The bills are also entered individually in the respective accounts in the Discount-Ledger, and under the days they fall due in the Discount-Journal. When these bills are due, the amount paid each day is entered in the Day-Book in the cash column, and the amount unpaid is transferred to the Past-Due-Bill account, and is entered in the Day-Book in the transfer column.

When a bill is deposited, it is entered in the Bill-Register, the Bill-Ledger, and the Journal. When due, it is placed to the credit of the party by whom it was lodged, and is copied from the Journal into the Day-Book, thence into the Current-Account-Ledger. If unpaid, the account is debited on the following day, and the bill is returned to the depositor.

At the commencement of each day, all the entries made the preceding day in the Day-Book are marked against the respective books by the accountant, or under his superintendence. He also marks the Cash-Book, and checks the adding up. The Customers' Books are then compared with the Current-Account-Ledger. The debit side of these books is usually written up the preceding evening from the vouchers by the tellers, or out-door clerks. The accountant writes up the credit side, and sees that both sides agree with the Current-Account-Ledger.

III. — The Country Department.

In this department is managed the business of the country banks, and of those customers who live in the country. When the letters are delivered in the morning by the postman, one clerk takes them and enters in the Waste-Book the *cash* inclosed in the letter to the credit of the respective parties. Another clerk takes the letters and enters the *bills* in the

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Country-Bill-Register, the Bill-Ledger, and the Bill-Journal. The letters are then handed to a third clerk, who copies off into a book all the *payments*, which are to be made immediately in cash. This book is usually called the Draft-Book, as the party receiving the money signs a draft for the amount, which is as good as signing a receipt. If the payment is to be made to a banker, he receives notice in a printed form, called a memorandum; but if the payment is ordered to be made to a private individual, he must call for it, and claim the exact amount. The following is the form sent to a banking-house. The right-hand side is filled up by the house to whom it is sent, and the memorandum is paid through the clearing.

London, December 1, 1834.
Messrs. Steady & Co.

Receive of [the country bank], per
Messrs. Hope, Rich, & Co., the sum of
£ 100.

On account of [E. F., Esq.]



London, December 1, 1834.
Messrs. Hope, Rich, & Co.

Pay E. F., Esq., or bearer, the sum
of one hundred pounds, on account of
[the country bank].

For Messrs. Steady & Co.
A Clerk.

£ 100.

A fourth clerk now takes the letters, and enters all the *advices* (that is, bills *advised* to be paid when due) in the Advice-Book and in the Advice-Journal. The corresponding clerk who answers the letters usually manages the stock department. Hence he observes the orders to purchase or sell stock, to procure powers of attorney, and other business of that kind. When writing a reply to the letters received, he notices if all the items in the letters are marked by the proper clerks. If any thing is wrong, he is informed of it. Bankers' letters are usually short and plain, comprising only two or three lines. The following example includes all the ordinary topics:—

Messrs. HOPE, RICH, & Co., Bankers, London.

Country Town, May 1, 1827.

GENTLEMEN, — Inclosed we remit you sixteen bills, value £ 1,750, and cash £ 250, making together £ 2,000 to our credit; and we subjoin a list of payments and advices, to be made to our debit. We will thank you to purchase £ 10,000 new Fours, in the name of James Wealthy, gentleman, of Stately House, near Prince Town; and forward us a power of attorney for sale, and dividends of £ 200 Consols, now standing in the name of Susan Thrifty, spinster, of this place. Please inform us of the respectability of Messrs. John Careful & Co., of Southwark, — they bank at Messrs. Steady & Co., Lombard Street. The bill you sent us to present here for payment has been paid, and we credit you £ 50, the amount. We herewith send you the signature of our relative, Mr. John Keen, who is going to London, and whose drafts to the extent of £ 3,000 we wish you to honor to our debit. On Mr. Keen's return, which will be in about a week or ten days, he will bring with him our paid notes.

We are, Gentlemen,

Your obedient Servants,

KEEN, BUSY, & Co.

[REPLY.]

Messrs. KEEN, BUSY, & Co., Bankers, Country Town.

London, May 2, 1827.

GENTLEMEN, — We have received your favor of yesterday's date, inclosing sundries, value £ 2,000, which we have passed to your credit, and note your lists of pay-

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ments and advices. We also credit you £1,476 16s. 6d., per Messrs. Good & Co., on account of John Green. We have inquired of Messrs. Steady & Co., as to the respectability of Messrs. John Careful & Co., and are informed they are highly respectable. We now inclose a stock receipt for Mr. James Wealthy's £10,000 new Fours, £10,012 10s. to your debit; and also Susan Thrifty's power of attorney, for which we debit you £1 1s. 6d.; also a dishonored bill on Badluck, noted £100 1s. 6d., to your debit; and your weekly cash account and monthly account current, which we trust will be found correct. We debit you £50 for the bill you had the goodness to present for us; and we now inclose another on White, £120, which we will thank you to get accepted and return. We have opened a credit in favor of Mr. John Keen for £3,000, and will forward your paid notes by him as requested.

We are, Gentlemen,

Your obedient servants,

HOPE, RICH, & CO.

Those London bankers who act as agents to banks, or to other parties in the country, will have occasion for the following books. The first seven are kept in the same manner as the corresponding books in the Town Department. All the entries in the Country Ledger, as well as those in the Town Ledger, must first pass through the Waste and Day-Books. The *credit* side of the Ledger is posted from the Bill-Journal and the Day-Book. The *debit* side is posted from the vouchers themselves, and, like the debit side of the Town-Ledger, will mark against the Paid-Day-Book and the "Clearing-in-Book."

1. A Country-Ledger.
2. Country-Bill-Register.
3. Country-Discount-Register.
4. Country-Bill-Ledger.
5. Country-Discount-Ledger.
6. Country-Bill-Journal.
7. Country-Discount-Journal.

8. Advice-Book. — In this book are entered an account of bills *advised* to be paid on account of the Country Banks. This book is kept ledger-wise, each bank having a separate account.

9. Advice-Journal. — This book is similar to the Bill-Journal, and it contains the *advices* under the heading of the days on which they are to be paid.

10. Credit-Book. — This book contains an account of the credit granted by a country bank in favor of any party. Each party has an account open for him in this book, and the amount of his credit is placed to this account. He is debited for such cheques as he may draw, and the cheques are then passed to the debit of the country bank in the Country-Ledger.

11. Acceptance-Book. — In this book are entered those bills which have been received from the country, and which require the acceptance of the party on whom they are drawn. The entry includes the date when taken out, the name and residence of the drawee, the register-number, and the amount. There are also two vacant columns, in one of which the clerk who takes the bill for acceptance enters his initials when he brings it back; in the second column are entered the initials of another clerk to whom the bills when "brought in from acceptance" are delivered. Though this book is connected with the country department, it is usually kept in the town office.

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12. Stock-Book. — London bankers have usually powers of attorney from their correspondents in the country, authorizing them to receive dividends on the government funds. All these are entered in a book called the Stock-Book. The book is divided into several parts for the different kinds of stock, as 3 per Cent. Consols, 3 per Cent. Reduced, &c., &c. In each division are entered the powers of attorney held by the bank. The entry includes date of the powers, names of the attorneys, names of the holders of the stock, and the amount. These entries should be made a tolerable distance apart from each other, to leave room to notice any alteration that may take place in the amount of the stock either by sales or new purchases.

Every country bank keeps an account with a London bank. The country banker receives from London a weekly statement of his cash accounts, and a monthly account current. The cash account is a copy of the London banker's ledger. But as the London banker does not consider as cash any thing which may not be immediately turned into Bank of England notes, the cash account does not exhibit a statement of the *undue* bills which the country banker may have remitted, nor of the bills which he may have advised to be paid. By means of a monthly account current he has a full view of all these transactions. On the credit side of the account current is entered the total amount of each remittance, whether it consists of bills or cash. These are followed by entries of "extra" sums of cash that have been lodged to the credit of the country bank by parties resident in London. On the debit side of the account current is placed the total amount of the "advices"; that is, of bills advised to be paid, and also any "extra" payments of "drafts" to persons in London. Then the account is balanced, and we have an easy check by which any error that may have crept into either the cash account or the account current is detected. For if both accounts be correct, the amount of advices not yet due, added to the balance of the account current, will be equal to the amount of bills not due, added to the balance of the cash account.

IV. — The Note Department.

Those banks that issue notes, will have occasion for

A NOTE-REGISTER. — In which the denomination, number, and date of the notes will be entered when prepared for circulation. The total amount of notes, as soon as they are received from the stamp-office, or at least as soon as they are signed by the banker or manager, are entered to the credit of "note account," and are afterwards taken down daily as part of the "cash" in the possession of the bank. If the notes on hand be deducted from the balance of the note account, the remainder will show the amount of notes in circulation. Another way is to open an account for "Notes in Circulation," and to credit this account for the notes on hand every morning, and debit it for the notes on hand every night: the balance will show the amount of notes in circulation. There should also be a book for the "Register of Cancelled Notes," in order to keep an account of those notes which, having become unfit for further use, have

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been cancelled and destroyed. The notes when cancelled are placed to the debit of the "Note Account."

V. — The Branch Department.

In those banks that have branches, the head office keeps an account with each branch in the same way as a London banker keeps an account with a country bank. There is usually an additional "Bill-Register" for the bills payable at branches. Each branch has also two Bill-Registers, for the bills payable at head-office, and the bills payable at branches, and frequently another for the bills sent for collection to agents, where the branch does not remit all its bills to the head office, but direct to agents in other places in order to be collected. Every country banker has also similar Bill-Registers for "Bills payable in London," "Bills payable at Bristol, Manchester, &c.," as the case may be; and of course corresponding accounts must be opened in the General-Ledger.

There must also be a book for entering "Branch Notes paid." These notes may either be placed as the debit of the branch on the day they are paid, or they may be carried daily or weekly to the debit of an account to be called "Branch Note Account," and may be placed to the debit of the branch on the day they are sent home.

VI. — The General-Ledger.

Into this Ledger, under the various accounts, will be entered the totals of the corresponding headings or accounts specified in the Day-Book. The accounts in this Ledger denote the various classes of operations, and the balances show at all times the exact state of the bank. Every Saturday night the totals and balances of these accounts should be taken off on a balance-sheet. When all the debits are added together, and all the credits are added together, the two sides will agree; that is, they will be of the same amount. These balance-sheets may be printed and bound together in a book, to be called the "General-Balance-Book." I cannot better explain the General-Ledger than by giving the form of the weekly balance-sheet, with the names of those accounts which most banks have occasion to introduce. I have distributed these accounts into five classes: — 1. Lodgments; 2. Investments; 3. Expenditure; 4. Cash Account, with Branches; and 5. Proprietors' Accounts. Each bank, however, will open such accounts as are adapted to its transactions. Whatever books the business may render necessary will require to have corresponding accounts. The General-Ledger contains the summaries of all the other books. Thus, the account called "Current-Accounts" contains the summary of the Current-Account-Ledger. The account called "Deposit-Receipts" is a summary of the Deposit-Receipt-Book. The account called "Bills discounted" is a summary of the Discount-Register and the Discount-Journal. In this way every book in the office has a corresponding summary in the General-Ledger. Hence, this book is a check upon all the other books; and by means of these summaries, the partners or directors of a bank can see at once the actual state of their affairs, and can trace the progress or decline of different branches of their business.

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THE _____ BANKING COMPANY.									
<i>Amounts and Balances of the GENERAL LEDGER on _____</i>									
Amounts. Dr.	Balances. Dr.	Titles of Accounts.				Debit Folio.	Balances. Cr.	Amounts. Cr.	
		I. LODGMENTS.							
		London Current Accounts.							
		Country ditto.							
		Deposit Receipts.							
		Bills Deposited (in London).							
		Ditto (from the Country).							
		Notes in Circulation.							
		Credits on Agents.							
		II. INVESTMENTS.							
		Bills Discounted (in London).							
		Ditto (from the Country).							
		Past-Due Bills.							
		Government Stock.							
		East India Bonds.							
		Exchequer Bills.							
		Loans to Customers.							
		Ditto to Brokers.							
		Interest Account.							
		III. EXPENDITURE.							
		Bank Premises.							
		Rent.							
		Taxes.							
		Salaries.							
		Stationery.							
		Incidental Expenses.							
		Law Expenses.							
		IV. CASH ACCOUNT, WITH BRANCHES.							
		Branch A.							
		Branch B.							
		Branch C.							
		Branch D.							
		V. PROPRIETORS' ACCOUNTS.							
		Paid-up Capital.							
		Preliminary Expenses.							
		Dividend Account.							
		Unclaimed Dividends.							
		Surplus Fund.							
		Profit and Loss.							
		Fund for Bad Debts.							
		General Account of Cash.							

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It will be observed, that the accounts introduced into the preceding balance-sheet are such as would be necessary to a London bank that had country agencies and branches, and issued notes. No such bank exists. But I have introduced all these accounts that each bank may take those which are adapted to its transactions. It will also be observed, that I have kept the country business distinct from the town business; so that the comparative extent of each may be immediately perceived. I have introduced cash columns for the *amounts* as well as the *balances*; for although the balances are sufficient to show the actual state of the bank, yet the amounts are necessary to show the business that has been done since the previous half-yearly balance.

1. The first class of accounts, under the head of **LODGMENTS**, are all credit accounts; that is, the balance is on the credit side.

CURRENT ACCOUNTS are those which are usually kept by the London bankers, and are called by the Bank of England "Drawing Accounts." **DEPOSIT RECEIPTS** are more permanent lodgments, upon which the joint-stock banks allow interest. The account "**BILLS DEPOSITED**," not being a cash account, might be omitted without deranging the balance of the General-Ledger. If introduced, its balance must be placed on both sides the balance-sheet, or the totals will not agree. The General-Ledger is no check upon the accuracy of this account. It should therefore be checked periodically, by taking off the daily amounts current from the Journal, and comparing the total with the balance of "**Bills Deposited in the General-Ledger**."

Some banks distribute their bills deposited into several accounts, as "**Bills Deposited by Agents**," "**Bills Deposited by Branches**," "**Bills Deposited by Private Parties**," &c., &c. On the debit side of the General-Ledger these "**bills deposited**" are mixed with the bills discounted in different accounts, according to the places where the bills are payable, as "**London Bills**," "**Manchester Bills**," "**Branch Bills**," &c. Those deposited bills that are payable in the place where the bank is established, are usually distinguished from the discounted bills; one account being called "**Local Bills Discounted**," and the other, "**Local Bills Deposited**."

NOTES IN CIRCULATION. — When the notes are made payable at any other place beside the place of issue, this account will only show the "**apparent circulation**," as the notes that have been paid by the agents, or at the other branches of the bank, cannot be brought into the account until they have been returned for re-issue. I have classed this account under the head of **Lodgments**, because it denotes a portion of the debt due from the bank to the public.

CREDITS ON AGENTS. — When a bank grants a Bill, or Letter of Credit, upon their agents, the money received is placed to the credit of this account. When the bill is due, or the credit paid, it is placed to the debit of this account, and to the credit of the agent's cash account. The business of some banks requires a subdivision of their credits, as "**Credits on London Agents**," "**Credits on Bristol Agents**," &c. Some banks have also an account for "**Credits on Branches**"; but where all the credits granted are payable on demand, they are usually placed at once to the credit of the cash account of the branch on which they are drawn.

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2. INVESTMENTS. — The accounts belonging to this class are all debit accounts; that is, the balance (if any) is always on the debit side.

In the foregoing balance-sheet it is presumed that all the bills are payable in London, as the London bankers do not discount bills payable elsewhere. The division into two accounts is merely to show the comparative extent of the town and the country business. The first account includes the bills discounted for parties resident in London, and the second includes the bills discounted for parties resident in the country. Where the bills are payable at different places, they are referred, as I have already intimated, to different accounts, as "London Bills," "Bristol Bills," "Manchester Bills," &c. It is not usual, in these cases, to distinguish between the bills discounted and the bills deposited, but to place them together on the same account; for instance, the account "London Bills" would include all bills payable in London, whether discounted or deposited. If thought proper, however, they may be easily divided into separate accounts, as "London Bills Discounted," and "London Bills Deposited."

PAST-DUE-BILLS. — When a discounted bill is not paid, it is transferred to the debit of this account. "Bills deposited" never pass into this account; but if unpaid, are returned to the parties by whom they were deposited.

When the bank purchases "Government Stock," "Exchequer Bills," "India Bonds," &c., the purchase-money is passed to the debit of an account raised for the purpose. Upon re-sale, the account is credited for the money received, and the difference between the money invested and the money received is passed, at the end of the year, to the debit or the credit of profit and loss account.

LOANS. — This account is debited for the amount of any loan granted to a customer, or to any other party, on security. When a customer wants a temporary advance, the usual way, in London banks, is, not to let him overdraw his account, but to place to his credit the sum he may require, and debit the loan account. The interest is charged upon the full amount of the loan. When the loan is repaid, this account is credited.

3. EXPENDITURE. — The accounts under this head require little explanation. "Bank Premises" is debited for the expense of altering, painting, &c., the buildings and offices connected with the bank. The other accounts are debited for the different classes of expenditure as they occur. At the end of the year these accounts are credited, and the several amounts are placed to the debit of "profit and loss account."

4. CASH ACCOUNT WITH BRANCHES. — The title of this class of accounts is sufficiently explanatory. I will only observe, that in some banks each branch keeps a distinct cash account with every other branch, and with the several agents of the bank with whom it may have transactions. But, in other banks, each branch passes all its transactions through its cash account with the head office. It debits the head office for whatever it may remit to either a branch or an agent, and it credits the head office for whatever sums it may receive from a branch or an agent.

5. PROPRIETORS' ACCOUNTS. — This class of accounts refers to the internal operations of the bank.

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PAID-UP CAPITAL. — If the capital has been paid up at different times, this account may be divided into "First Instalment," "Second Instalment," "Third Instalment," &c.

PRELIMINARY EXPENSES. — Several joint-stock banks have passed to an account of this sort the expense of forming the company; and these expenses are discharged out of the profits, by equal portions, in the course of five or ten years. This is considered a more equitable mode than to pay these expenses out of the profits of the first two or three years.

SURPLUS FUND. — When the whole of the annual profits are not divided among the partners or proprietors, the surplus is transferred to an account, called "Surplus Fund," where it remains for the purpose of being applied to meet any losses or contingencies that may occur in after years.

PROFIT AND LOSS. — To the credit of this account is placed all interest and commission received; and to the debit is placed all interest paid. These entries are made at the time the transactions occur. At the end of the year this account is credited for all the profits that have been made during the year upon Government Stock, Exchequer Bills, &c., and is debited with the several items of expenditure. The Profit and Loss Account may be subdivided into several accounts, as "Interest Received on Bills Discounted," "Commissions Received," "Interest paid on Deposit Receipts," "Charge for Agency," &c., &c. When it is not thus divided, a complete abstract of the account should be made out at the end of the year.

GENERAL ACCOUNT OF CASH. — The introduction of this account makes the General-Ledger a perfect check upon the other books. For by this means the total of all the balances of the debit side of the General-Ledger are equal to the total of all the balances of the credit side. To the *debit* of this account is passed, every day, the total amount of the *credit* side of the Day-Book; and the account is *credited* for the amount of the *debit* side of the Day-Book; consequently, the balance of this account will be always on the debit side, and will be equal to the difference between the sum of all the other debit balances, and the sum of the credit balances; that is, it will show the amount of cash in the bank. The General-Ledger is always kept on the progressive plan (see page 158), so that the balance of any account can be seen upon inspection; and its progress from any past period can be distinctly and readily traced.

VII. — Periodical Balances.

DAILY BALANCE. — It is well known that bankers try their balance at the close of their business every night, with a view of correcting any errors that may have occurred during the day. The process is very easy. If to the amount of the Cash-Book last night, we add the amount of the cash received to-day, and deduct the amount of the cash we have paid, the remainder will be the amount of the Cash-Book to-night. If, on trial, we find this is not the case, there must be some error. Suppose, for instance, the Cash-Book last night amounted to £ 100,000, and we have received £ 40,000 and paid £ 50,000 to-day, then will the Cash-Book to-night amount to £ 90,000. The trial stands thus : —

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Cash-Book last night . . .	£ 100,000	Paid-Day Book . . .	£ 50,000
Received-Day-Book . . .	40,000	Cash-Book to-night . . .	90,000
	<u>£ 140,000</u>		<u>£ 140,000</u>

The daily balance, therefore, is nothing more than the balance of the Day-Book; and the only books employed are the Day-Book and the Cash-Book. But as these books, when finally closed, include the amount of several other books, the trial is usually made (for the purpose of avoiding alterations) on a half-sheet of paper, called the trial paper, previous to those entries being made, and then the amounts of these several books are stated separately, in the following manner:—

<i>Dr.</i>	BANKING HOUSE.	<i>Cr.</i>
Amount of Cash-Book last night [This is usually called the Rest.]	Amount of Paid-Day-Book . . .	
Do. of Received-Day-Book . . .	Do. of Clearing-in-Book* . . .	
Do. of Bill-Journal . . .	Do. of Balance* of the Clearing . . .	
Do. of Discount-Journal . . .	Do. of Cash-Book to-night . . .	
	Do. of Balance of Money-Book . . .	
	Do. of Discount-Register . . .	

The balance of the clearing † is always to the credit of the house; for, if the clearing “takes out,” then the bank notes paid away at the Clearing-house are entered in continuation of the clearing-out; so that, in this case, the balance is usually thrown a small sum on the other side. When the clearing is finally closed, the notes forming this balance are entered in continuation of the clearing-in, and subsequently in the Cash-Book. The notes entered in the clearing-out are, of course, not entered in the Cash-Book.

WEEKLY BALANCES.—The daily balance checks the Waste-Books, the Discount-Register, the Journals, the Day-Books, the Lists, and the Money-Books. If any errors occur in any of these books throughout the day, the balance will be wrong. But the daily balance does not check the Current-Account-Ledger, though this is the most important book of all. The Ledger is therefore “marked off” every morning against the Day-Book, the Bill-Journal, and the Clearing-in-Book: but this is not a sufficient check. Hence the balances of all the accounts in the Current-Account-Ledger should be taken off weekly in a book called the Current-Account-Balance-Book, and added together, and the amount made to agree with the balance of “current accounts” in the General-Ledger. This is usually done by the London bankers quarterly or half yearly. When the Ledger is kept on the progressive plan, it may be done weekly without much trouble. The “Current-Account-Balance-Book” should be ruled so that the names of the parties having accounts may be placed under one another at the left-hand, and all the rest of the left-hand page, and the whole of the right-hand page, divided into double cash columns:

* When a bank does not “clear” these items are of course omitted.

† For an account of the books in the clearing department, see the section on London Bankers.

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one column for the balances of the accounts when in cash, and the other for the balances overdrawn. On this plan it will not be necessary to write the names more than once in seven weeks.

In the same way the balances of the Discount-Ledger should be taken off weekly in the "Discount-Balance-Book." The balances of the General-Ledger are also taken off weekly in the "General-Balance-Book" in the way I have already described.

HALF-YEARLY BALANCE. — The weekly balancing of the Ledger does not preclude the necessity for a half-yearly balance. The usual days for balancing are the last days of June and December. Some banks, however, balance on the *last Saturday* in June and December, and others on the 30th of June and on Christmas-eve. On the balancing day the following operations are passed through the books: — 1. The current accounts will be debited for any interest or commission that may be due from the party to the bank. — 2. The Current-Account-Ledger will be balanced, and the balance will be brought down as the commencement of the transactions of the ensuing half-year. — 3. The customers' books must be balanced, and made to agree with the Current-Account-Ledger. 4. The interest due upon the outstanding deposit receipts must be calculated, and the sums added together. — 5. The General-Ledger must be balanced, and at the December balance the amount standing to the debit of the several classes of expenditure must be passed to the credit of those accounts, and to the debit of profit and loss account, and the several sums of profit that have been realized upon Government stock, India bonds, &c., are transferred to the credit of profit and loss account.

For each half year a book must be provided to be called the Half-Yearly-Balance-Book. This book will contain the following entries: —

1. A balance-sheet showing the balances of the respective accounts in the General-Ledger in the same way as the weekly balance sheet.
2. A debtor and creditor balance-sheet, showing the exact condition of the bank. — 3. An abstract of the profit and loss account, viz: —

<i>Abstract of Profit and Loss Account, from Jan. 1, to Dec. 31.</i>									
<i>Dr.</i>					<i>Cr.</i>				
To Bank Premises . . .					By Interest on Bills dis-				
Furniture					counted				
Rent					By Interest on Loans . . .				
Salaries					By Commission on Cur-				
Stationery					rent Accounts				
Incidental Expenses .					By Profit on Exchequer				
					Bills, &c.				
Total Expenses									
Loss on bad bills, &c. .									
Balance in favor of the									
Bank									

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4. A list of all the balances of the current accounts.
5. A list of all the outstanding deposit receipts, and the interest due upon each.
6. A list of all discounted bills *current*, i. e. bills not yet due.
7. A list of all deposited bills *current*.
8. A list of all other securities, distinguishing those that belong to the bank from those that are lodged by its customers.

At the end of the year the final balance of the profit and loss account is transferred to other accounts according to the purposes to which it is to be applied. If intended to be held as a "surplus fund," it is transferred to that account. If intended to be divided among the proprietors, it is transferred to a "dividend account," which is raised for that purpose. If the balance of the profit and loss account should be against the bank, then it must remain "on the wrong side" until further profits shall turn the balance the other way.

Besides the books connected with the business of banking, every joint-stock bank will require,

1. A SHAREHOLDERS'-REGISTER. — In this book the names of the shareholders are entered chronologically in the order in which they become shareholders. The entry includes the date, the name, residence, number of shares, and sum paid.

2. TRANSFER-REGISTER. — In this book are entered the transfer of shares from one proprietor to another. The entry includes date of transfer, from whom transferred, residence, ledger-folio, to whom transferred, residence, purchase-money, and transfer stamp.

. . . London, the . . . day of . . . 18

To the Directors of . . . Banking Company.

Gentlemen,

Please to prepare the necessary document for transferring . . . Shares, from
the name of . . . of . . .
to . . . of . . .
the consideration for which . . . Shares is £ . . .
. . . Broker,
of . . .

If a proprietor in a joint-stock bank wishes to dispose of his shares, he directs a stock-broker to sell them in the market. After the sale the broker gives notice to the directors of the bank in the preceding form. The deed of transfer is then made out according to a printed form prepared by the bank. This agreement is liable to a stamp duty, varying according to the amount of the purchase-money. When shares are transferred for a nominal consideration, say five or ten shillings, the stamp duty is thirty shillings.

The debtor and creditor balance-sheet will contain the same amounts as the balance-sheet of the General-Ledger (see page 166), but differently arranged. They may be disposed according to the following form: —

Book-Keeping.

Statement of the Affairs of the Bank, on _____

Dr.		THE _____ BANKING COMPANY.		Cr.	
DUE TO THE PUBLIC ON CURRENT ACCOUNTS.				DUE TO THE BANK ON OVERDRAWN ACCOUNTS	
Head Office, Town . . .				Head Office, Town . . .	
Ditto, Country . . .				Ditto, Country . . .	
Branch A.				Branch A.	
Branch B.				Branch B.	
Branch C.				Branch C.	
Total Current Accounts				Total Overdrawn Acct's.	
DEPOSIT RECEIPTS.				BILLS DISCOUNTED.	
Head Office				Head Office, Town . . .	
Branch A.				Ditto, Country . . .	
Branch B.				Branch A.	
Branch C.				Branch B.	
Total Deposit Receipts				Branch C.	
Notes in Circulation				Total Amount of Bills } Discounted	
Credits on Agents				LOANS.	
Total Lodgments				Head Office	
INTEREST ACCOUNT.				Branch A.	
Head Office				Branch B.	
Branch A.				Branch C.	
Branch B.				Total Amount of Loans	
Branch C.				INVESTMENTS.	
Total Amount of Interest.				Government Stock . . .	
FUND FOR BAD DEBTS.				Exchequer Bills . . .	
Head Office				India Bonds	
Branch A.				Other Investments . . .	
Branch B.				Total Investments	
Branch C.				Total available Assets	
Total Amount of Fund } for Bad Debts				EXPENDITURE.	
PAID-UP CAPITAL				Head Office	
SUNDRY ACCOUNTS.				Branch A.	
Forfeited Shares . . .				Branch B.	
Dividends				Branch C.	
Unclaimed ditto . . .				Total Expenditure	
Surplus Fund				PAST-DUE BILLS.	
Profit and Loss				Head Office	
Total Sundry Accounts				Branch A.	
Total				Branch B.	
				Branch C.	
				Total Amount of Past- } Due Bills	
				SUNDRY ACCOUNTS.	
				Stamp Account	
				House Account	
				Ditto Branch A.	
				Ditto Branch B.	
				Ditto Branch C.	
				Total	
				GENERAL ACCOUNT OF CASH.	
				Head Office	
				Branch A.	
				Branch B.	
				Branch C.	
				Total amount of Cash	
				Total	

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The following is the scale of stamp duties upon the transfer of shares in joint-stock banks : —

When the purchase money is under £ 20	£ 0 10
For £ 20 and under	50 1 0
50 150	1 10
150 300	2 0
300 500	3 0
500 750	6 0
750 1,000	9 0
1,000 2,000	12 0
2,000 3,000	25 0
3,000 4,000	35 0
4,000 5,000	45 0
5,000 6,000	55 0
6,000 7,000	65 0
7,000 8,000	75 0
8,000 9,000	85 0
9,000 10,000	95 0

The bank charges a fee of one shilling per share upon five shares or above for making the transfer, and two shillings and sixpence per share for any number less than five shares. Where there is no pecuniary consideration the charge is ten shillings for each transfer.

3. PROPRIETORS' LEDGER. — In this ledger each proprietor has an account open, in the same way as in a cash-ledger. He is credited for the number of shares; and an entry is made of the different instalments he may pay. When he sells or transfers his shares, he is debited the shares, and they are placed to the credit of the party who may have purchased them. The entry includes the date, number of register, calls and transfers, number of shares, and amount.

III. We shall now consider those improvements of which the above system is capable, so as to render it more efficient in large establishments.

As a bank increases its business, it becomes of importance to improve its system of book-keeping, and to adopt means of increasing the efficiency of its clerks. A large establishment can generally be conducted with a less *proportionate* number of hands than a small one. It admits of a more extensive application of the principle of a division of labor. In a small bank, one clerk may keep two or three books of various kinds, or perhaps act as both cashier and accountant. But in a large bank, each clerk is in general kept wholly to one employment. The effects of this separation of occupations is the same in banks as in manufactories; and the description of these effects given by Adam Smith will equally apply to both cases.

"The great increase in the quantity of work which, in consequence of the division of labor, the same number of people are capable of performing, is owing to three different circumstances; first, to the increase of dexterity in every particular workman; secondly, to the saving of time which is commonly lost in passing from one species of work to another; and lastly, to the invention of a great number of machines which facilitate and abridge labor, and enable one man to do the work of many."

The increase of dexterity by constant practice is very observable in

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the practice of "casting up." A clerk who is much accustomed to this operation will cast up a long column of figures with singular quickness and accuracy. It is also very observable in "calling over." Besides, owing to the abbreviations we have mentioned in p. 152, a clerk in calling over will speak so rapidly that an unpractised ear will hardly be able to follow him. Mr. Babbage gives the following instance of great dexterity acquired by practice :—

"Upon an occasion when a large amount of bank notes was required, a clerk in the Bank of England signed his name, consisting of seven letters, including the initial of his Christian name, five thousand three hundred times during eleven working hours, and he also arranged the notes he had signed in parcels of fifty each."

The loss of time in passing from one operation to another is as obvious in mental processes as in those which are purely mechanical.

"When the human hand or the human head has been for some time occupied in any kind of work, it cannot instantly change its employment with full effect. The muscles of the limbs employed have acquired a flexibility during their exertion, and those to be put into action a stiffness during rest, which renders every change slow and unequal in the commencement. A similar result seems to take place in any change of mental exertion; the attention bestowed on the new subject is not so perfect at the first commencement as it becomes after some exercise."*

The invention of expedients for facilitating and abridging labor is also as common in a bank as in a manufactory.

Mr. Francis has recorded, in his *History of the Bank of England*, a variety of improvements introduced into that establishment by Mr. William Rae Smee, a son of the chief accountant.

He proposed an alteration in the cheque office, by which he stated that the work which employed three principals and twenty-one clerks would be done more effectually by two principals and seven clerks. In the circulation department, the posting which formerly took fifty now employs only eight clerks. And the whole of that department, if now conducted upon the old system, would probably require nearly eighty additional assistants. In the National Debt Office Mr. Smee introduced such measures that "the directors were enabled so far to consult the accommodation of the public as to enable the transfers in the various offices to be made eight or nine days later than usual, the business which formerly occupied about thirty-two days being accomplished in about twenty-three."†

Similar improvements have been introduced into commercial book-keeping.

"The old method of journalizing and posting each transaction separately, unnecessarily swells the accounts in the ledger with a multiplicity of figures, which greatly increases the difficulty of balancing, and, to say nothing of extra labor and loss of time, the liability to error is always in proportion to the number of entries, and *vice versâ*. If a hundred sums are posted when one would answer, then a hundred chances of error are incurred where only one was necessary; and in the event of an error in adjusting the accounts, a hundred entries must be called over and examined, instead of one. (*Double Entry Elucidated*, by B. F. Foster, p. 18.)

* The Economy of Machinery and Manufactures, by Charles Babbage.

† History of the Bank of England: its Times and Traditions; by John Francis. Vol. II. p. 141.

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The expedients introduced to improve any system of book-keeping have for their object either the saving of time *directly* by abbreviating the entries, or to save time *indirectly* by new modes of preventing or detecting errors. And it may be observed, that a minute alteration, hardly worthy of being adopted in a small bank, where it would save but a few minutes a day, may be very properly adopted in a large establishment, where the time saved would be in proportion to the greater extent of business. Sometimes an entry may be shortened by omitting some of the particulars. Thus, where we have been accustomed to enter with every bill, the name of the last endorser, the drawer and his residence, the acceptor and his residence, the date, term when due, and the amount, we may properly, perhaps, omit some of these items. Or where we have repeated the same entry in several books, we may enter it in fewer books, or, perhaps, make the individual entries in only one book, and enter the total amount in the others, or, at other times, the whole form of a book may be changed, and we may, by a new arrangement, obtain the same results more clearly and in less time. Almost every bank will occasionally make some alteration of this kind as its business may require. And even each accountant has usually some little expedients of his own for facilitating his daily operations. We will notice a few of those amendments that have been adopted with the view of saving time and labor in some of our banking establishments.

Some large banks have adopted "the horizontal system of book-keeping," which is in some respects an improvement on the systems described in the former editions of this work. The chief difference is in the mode of ruling the Received and the Paid-Waste-Books.

The Received-Waste-Book, instead of being ruled as described in p. 155, has *four* cash columns, three at the left hand as you face the book, and the fourth at the right hand, with a space between the third and the fourth. The different items of a credit entry, instead of being placed under one another, as in the former system, will be placed separately in the first three columns, and the total in the fourth column. Thus, if a sum of £543 10s. 7d. be received from Mr. Smith, and this sum consists of £3 10s. 7d. in coin or money, £100 in a Bank of England note, and £440 in a cheque on Jones, Loyd, & Co., the entry will stand thus:—

Money.			Bank Notes.	Sundries.			Name.	Total.		
£	s.	d.	£	£	s.	d.		£	s.	d.
3	10	7	100	440	0	0	Smith. Jones, Loyd, & Co.	543	10	7

Thus it is seen that the first column is for money, the second column for bank notes, and the third column for "sundries," that is, for all other articles; and these three columns are added together "horizontally," and the total brought out into the fourth cash column at the right hand. It will be observed, that the cashier has to add the items together, not long-

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ways, but cross-ways, — not longitudinally, but “horizontally.” After a little practice, one way is just as easy as the other.

Some cashiers prefer having two columns only at the left hand, and two at the right hand, with the space between the second and third column; as the numbers of the bank-notes, and the names of the bankers on whom the cheques are drawn, can then be placed on the same line; but this is not a matter of much consequence.

Now, if you “cast up” the first left-hand column, you will have at the close of the day the total amount of money, that is, coin, received during the day. If you cast up the second column, you will have the total amount of bank notes. The third column will give the total amount of “sundries.” And the amount of these three columns together will be equal to the fourth column, containing the total amount of the credits. If this should not be the case, there must be some error, which must be discovered forthwith. Thus the horizontal Received-Waste-Book is a check upon itself. As soon as the cashier gets to the bottom of a page, he casts up his book, and sees that the three columns are exactly equal to the fourth. Thus he keeps his book right as he goes on. Whereas, in the former system, any error in the Received-Waste-Book would not be discovered till the General Balance was tried at the close of business, and not then, perhaps, until after a long course of “marking off.”

To simplify my explanation, I have described the Received-Waste-Book as having only four cash columns, and these are perhaps enough for a small bank. But large establishments have sometimes seven or eight, perchance in the following order: — 1. Money, *that is*, coin. 2. Bank-notes. 3. Parcels of bank-notes, called sundries. 4. Country notes. 5. Checks on clearing bankers. 6. Checks on bankers who do not clear. 7. Checks on our own bank. — a space. 8. The total amount of the credit.

The horizontal Paid-Waste-Book is ruled with three cash columns; one to the left for the amount of the cheque paid; then an open space for the name; then a column for the bank-notes; and another for the money, that is, coin. The London bankers do not pay away any bills or country notes in exchange for cheques, but only Bank of England notes and coin. The entry stands thus: —

Amount of Cheque.			Name, and No. of Bank-Note.	Bank Notes.	Money.		
£	s.	d.			£	s.	d.
101	4	3	White. 1473.	£ 100	£ 1	4	3

The amount of the columns containing the bank-notes and the money will of course be equal to the column containing the amount of the cheques. And thus this Paid-Waste-Book contains a check upon itself.

The horizontal Paid-Waste-Book may have at the left hand two cash columns, one for the town and the other for the country departments, and also a separate column for the country notes; thus: —

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Town.			Country.			Country Notes.	Name.	Bank Notes Paid.	Money.		

This prevents the necessity for having both a Town and a Country Paid-Waste-Book, while the two departments are still kept distinct. The country notes are also separated, and can be checked by themselves. When all are added together, the total of the three columns at the left must be equal in amount to the total of the two columns at the right hand. The articles paid must be equal to the bank-notes and money which were issued in payment.

We shall now point out some of the advantages of the horizontal system of keeping the Waste-Books.

First. As all the receipts and payments of money, that is, coin, are entered individually in the Received and Paid Waste-Books, and the amounts added together, it will not be necessary that these sums be copied individually into the Money-Book. The total amount only of each column is entered in the Money-Book at the close of the day's business, and the Money-Book is balanced. Thus, all the time employed in making the entries individually in the Money-Book is saved.

Secondly. As all the credits to current accounts are added together in the Received-Waste-Book, it is not necessary they should be entered individually in the Day-Book. They can be individually posted direct into the Ledger, and the total only be entered in the Day-Book. The same remark will apply to the Paid-Waste-Book. This is another saving of time and labor.

Thirdly. Every Waste-Book, as we have already intimated, is a check upon itself. We have spoken of a Received-Waste-Book and a Paid-Waste-Book as though a bank had but one, and in small banks this is the case. But in large banks there are seven or eight cashiers or more, each having a Received-Waste-Book and a Paid-Waste-Book for the town department, and another Received-Waste-Book and Paid-Waste-Book for the country department, with a Supplementary-Received-Waste-Book, and a Supplementary-Paid-Waste-Book, and a Money-Book besides. Now, it is a great advantage to have the means of keeping all these books free from errors during the day, and to know at night that they are all correct. If the "Balance" be wrong, the field of inquiry is thus very much limited, and the time that would otherwise be employed in checking the Waste-Books is devoted to the examination of the other books of the bank.

Fourthly. This plan gives the means of checking separately those items that have a column appropriated to them. Take, for example, the column of Bank-notes. If we add to the amount of bank-notes on hand last night the amount received to-day, and deduct the amount paid away, the remainder should be the amount on hand to-night. When this is the case, the bank-notes are right. In the same way we may check the

money columns, the clearing columns, &c. Thus, when the trial balance is wrong, we can check these items separately, and thus more readily discover the error. Without this expedient, we should have to "mark off" the whole business of the day.

It will be observed that the above Waste-Books refer only to receipts and payments on current accounts. All other receipts and payments are entered in a Supplementary-Receipt-Book and a Supplementary-Paid-Book. These books are ruled in the same way as the other Waste-Books, and they embody entries in connection with deposit receipts, received or paid, credits or debits to interest accounts, debits to salaries, taxes, incidental accounts, &c., &c. All these items are then entered in the Day-Book, from whence they are posted into the General-Ledger. A book is also provided, usually called a Transfer-Book, in which are entered all the cheques on the bank paid in by other customers, as these merely cause a *transfer* of the amount from one customer to another.

Books which are designed chiefly as registries or summaries should be kept on the horizontal system. Thus, a London bank which keeps an account with the Bank of England, will have to lodge to its credit notes, gold, silver, post-bills, cheques, dividend warrants, &c.

To keep a registry of this, a book may be opened horizontally, — the first column at the left hand being the date, and then these words being entered over separate columns, at the top of the page; afterwards a column for the total amount of all these items, then a credit column for the cheques drawn each day, and then the daily balance. If this book be made of such a size as to contain about thirty lines, then each page will contain the transactions of a month. And, by adding up the columns, the figures at the bottom of the page will show the separate amounts of notes, gold, silver, &c., paid into the Bank of England in the course of a month. By comparing the different pages, it will be seen on what months the largest or the smallest sums are paid into the bank.

In constructing tables, it is also best to follow the horizontal system. Thus, to keep a record of the weekly returns of the Bank of England, it is best to arrange the items into columns, with the heading at the top of each column, the first column containing the dates of the several returns. It will then be easy to trace the fluctuations in any one item; such, for instance, as the "Public Deposits," the "Private Deposits," the "Rest," &c. Some of the Returns published in the Appendix to the Parliamentary Evidence of 1847 have been arranged on this principle.

We will now notice some further improvements that have sometimes been adopted by large banks in their system of book-keeping. The great object of all these improvements is, as we have already mentioned, either to save time directly, in making the entries, or indirectly, by preventing or discovering errors. These are, —

1. The abolition of the Discount-Register. Here the bills are entered at once in the Discount-Ledger, under the names of the respective parties for whom they are discounted; and the total amount of bills discounted each day is entered in the Day-Book, from the Interest-Book, which contains the calculations of discount. The only objection to this plan is, that the space in the Discount-Ledger does not admit of so full a description

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of the bill as is usually given in the Discount-Register. The Bill-Register is also abolished in the same way.

2. The adoption of a Check-Ledger facilitates the discovery of errors, and thus diminishes the time employed in searching for them. Though this book is called a Check-Ledger, it is not kept ledger-wise. It is ruled with a cash column on each side the page. In the column opposite your left hand you enter, from the cheques themselves, all the cheques paid during the day. In the right-hand column you enter from the Received-Waste-Books all the credits of the day. When you add up these two columns, they will of course agree with the amounts of the Paid-Waste-Book and the Received-Waste-Book. Thus the accuracy of the Check-Ledger is insured. Now, where the balances of the Current-Account-Ledger are checked every week, you employ the Check-Ledger to test their accuracy in this way. If to the amount of the balances of the Current-Account-Ledger last week, you add the total credits entered in the Check-Ledger during the week, and deduct the total debits entered in the Check-Ledger during the week, the remainder will show the total amount of the balances of the Current-Account-Ledger for the present week. Each Current-Account-Ledger will have a Check-Ledger, and thus each Ledger will be checked separately, so that when the total balance is wrong, it will at once be seen in which Ledger the error has occurred.

Time is sometimes lost by a clerk taking up the wrong book, opening it, putting it down, and then taking up the right one. A cashier, for instance, will sometimes take up the Paid-Waste-Book instead of the Received-Waste-Book. To prevent this, the two books may have covers of different colors, — one white, the other green. Time may be lost by two clerks wanting the same book at the same time. The ledger-keeper may want to post from the Received-Waste-Book when the cashier is using it. To prevent this, there may be two sets of Waste-Books, — one for Mondays, Wednesdays, and Fridays, and the other for Tuesdays, Thursdays, and Saturdays; and, to prevent mistakes, the names of the days should be written in large letters on the covers of the books.

IV. We will now make a comparison between the system of Book-keeping practised by Merchants, and that practised by Bankers.

The merchants have their Waste-Book, Journal, Ledger. The bankers have their Waste-Book, Day-Book, Ledger.

In both cases, the Waste-Book is the book in which transactions are first entered. But this book is capable of subdivision: it contains a record of various transactions, some of which may be entered in separate books. Bankers have their Received, Paid, and Supplementary Waste-Books; also their Deposit-Receipt-Book, Discount-Registers, and other books subsidiary to the Waste-Book. So, merchants have their Waste-Book subdivided into various books, according to the nature of the transactions. There is the Invoice-Book, containing an account of all goods purchased; the Sales-Book, containing an account of all goods sold; a book for "Bills Receivable," containing a list of all bills in the merchant's hands, which when due he will receive; another for bills payable, containing a list of all bills he has accepted, and which when due he will have to pay;

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a Cash-Book, containing an account of all cash he receives or pays away ; and several others, varying according to the character and extent of the business. Now all these subdivisions of the merchant's Waste-Book resemble those of the banker's in two things — first, they are all kept *chronologically* — they contain a record of the transactions in the order of time in which they occurred : and, secondly, all the transactions thus recorded must afterwards, upon the system of double entry, pass, either individually or in totals, through the book which merchants call a Journal, and bankers call a Day-Book.

The words "Journal" and "Day-Book" have the same meaning ; and in this instance the use of the two books is similar. But in the merchant's Journal individual transactions may be entered, while in the banker's Day-Book they are always entered in totals. Thus the total amount of "Bills Discounted," and the total amount of credits and payments on current accounts, are entered in the Day-Book, but not the individual items. Another difference is, that over each entry in the merchant's Journal you state to what account it is to be posted ; for every entry is posted to two accounts — to the debit of one account, and to the credit of the other. And this is denoted by Dr. being placed before the name of the account to be debited. Thus, if a merchant buys some goods for ready money, the Journal entry is preceded by

Goods Dr. to Cash ;

implying that the account "Goods" is to be debited, and the account "Cash" to be credited. On the other hand, if he sells goods for ready money, the transaction will be journalized thus,

Cash Dr. to Goods.

If he sells goods upon credit to John Brown, it will be,

John Brown Dr. to Goods.

If he sells goods for a bill of exchange, it will be,

Bills Receivable Dr. to Goods.

If he sends goods abroad as a speculation, in the ship *Adventure*, he may raise an account for the ship, and say,

Ship Adventure Dr. to Goods.

The entries in the banker's Day-Book are made daily, but the entries in the merchant's Journal are generally made once a month.

THE LEDGER. — We have stated that in the merchant's Ledger every entry is made twice — one account being debited, and another credited — and these two accounts are indicated in the Journal. This is what is called book-keeping by double entry. If it be asked, whether bankers keep their books by double entry ? the answer is, that those bankers who have no General-Ledger (and this is the case with not a few of the private bankers) do not keep their books by double entry. The Current-Account-Ledger is not kept by double entry. It contains none but personal accounts, and its accuracy is tested only by the periodical balancings.

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The banker's Ledger, that corresponds in this respect with the merchant's Ledger, is not the Current-Account-Ledger, but the General-Ledger. This is kept by double entry. In a ledger kept by double entry, the sum of all the debit balances will be equal to the sum of all the credit balances; and the sum of all the debit amounts will be equal to the sum of all the credit amounts. When this is not the case there is an error in some of the accounts. This is the case with the banker's General-Ledger. But, as the transactions are not posted individually, but only in totals, the double entry does not appear on the face of the accounts. Thus, if a bill be discounted for a customer, and the amount placed to the credit of his current account, the Journal entry, on the principle of mercantile book-keeping, would stand thus:—

Bills Discounted Dr. to Current Accounts.

But the bill discounted is placed to the debit of the account of "Bills Discounted," in a total of all the bills discounted on that day. And the amount is placed to the credit of Current Accounts, in the total of all the sums received to the credit of Current Accounts on that day. Thus, the "double entry," though equally real, is not so apparent as though the transactions were posted individually.

So, again, if a country banker should discount a bill, and the customer ask for a draft on his agent in London, the Journal entry, on the commercial system, would stand thus:—

Bills Discounted Dr. to Drafts on London.

It would go to the debit of "Bills Discounted," in the total of all the bills discounted that day, and it would go to the credit of "Drafts on London," in the total of all the drafts on London issued on that day.

The accounts in a merchant's ledger are usually classified into Personal Accounts, Real Accounts, and Profit and Loss Accounts. The Personal Accounts are the accounts of persons who may owe the merchant money, or to whom he may owe money. The Real Accounts are accounts denoting property, such as cash, bills receivable, bills payable, merchandise, ship adventure, &c. The Profit and Loss Accounts are rent, commissions, expenses, and all other accounts which are ultimately transferred to the debit or the credit of the Profit and Loss Account.

The banker's General-Ledger has no Personal Accounts, as these are all kept in the Current-Account-Ledger. The usual accounts are those I have enumerated in page 166, and are all either Real Accounts or Profit and Loss Accounts.

It would be quite possible (but not desirable) to introduce all the Personal Accounts into the banker's General-Ledger, and thus to form the Current-Account-Ledger and the General-Ledger into one, and keep the whole by double entry. In this case we should omit the totals of Current Accounts, now introduced into the General-Ledger, and insert every transaction individually. If John Brown drew a cheque on the bank, the Journal entry would stand thus:—

John Brown Dr. to Cash.

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And if he paid in money to his credit, the Journal entry would stand thus:—

Cash Dr. to John Brown.

All the entries passed to the Dr. and Cr. of these Personal Accounts would of course pass to the Cr. and Dr. of Cash. Indeed, all the entries to the Dr. and Cr. of Cash would be the same as are now made in the Check-Ledger, except that the debtor column would be called creditor, and the creditor column would be called debtor. By the use of such a Check-Ledger as we have described, page 179, (for there are various kinds of Check-Ledgers,) the Current Accounts are virtually kept by double entry; and we have the additional advantage that, when there are more than one Ledger, we are enabled to check each Ledger separately.

To accountants in banks where a General-Ledger is not kept, it appears strange that "Cash" should be *credited* for money which is *paid away*, and *debited* for money which is received. But this strangeness will vanish, if for the word "Cash" they would fix in their mind the word "Cashier." If they had an account with a cashier, they would of course *debit* him, as they do their banker, for all moneys they paid into his hands, and credit him for all moneys they drew out. And the difference between the amounts of these debits and credits would be the balance either in their favor, or against them.

In thus comparing the commercial and the banking systems of book-keeping, I have hitherto supposed that all merchants keep their books by double entry. But this is not always the case with the smaller houses. And then their system more nearly resembles the system of those bankers who do not keep a General-Ledger.

"In keeping books by single entry, the *Daily-Books* are kept in the same manner as in double entry, with the exception of a column of reference to the Ledger in each book, which takes the place of a column of reference in the Journal—this book being dispensed with. The entries are posted directly from the *Daily-Books* into the Ledger. In the Ledger, by single entry, strictly speaking, there ought to be only one kind of accounts; namely, Personal Accounts, including all persons to whom a merchant becomes indebted, and all persons who become indebted to him." (*Wallace's Pocket-Guide to Commercial Book-keeping.*)

It will be seen from this account, that, in mercantile book-keeping by single entry, the merchant's Ledger resembles the Current-Account-Ledger of the banker. In single entry the merchant dispenses altogether with his Journal; but the banker usually retains his Day-Book, even when he does not keep a General-Ledger. But, in this case, the Day-Book contains only the debits and credits, individually, of the Current Accounts, which are posted afterwards into the Current-Account-Ledger. In the horizontal system, as we have stated, the debits and credits of the current accounts are not entered individually in the Day-Book, but the total amounts are taken from the Paid and Received Waste-Books.

SECTION XIII. — BANKING CALCULATIONS.

WHEN a bill is discounted, the party is credited for the full amount, and debited for the interest. The interest is calculated from the day on which the bill is discounted to the time it falls due. The shortest way is to make use of an interest book ; but if it be done with the pen, the following rule may be useful. Multiply the amount of the bill by the number of days. To the product add one third of itself, one tenth of that third, and one tenth of that tenth. From the total strike off four figures to the right for decimals. This will give the interest at 5 per cent., in pounds and decimal parts of a pound. The decimals are to be brought into shillings and pence, by multiplying by twenty and twelve. The interest of any sum at a different rate per cent. may be found in the same way, if you multiply the principal by twice the rate of interest, and strike off five figures for decimals instead of four.

Example. — It is required to find the interest of £ 500 for ninety days at 5 and $3\frac{1}{2}$ per cent.

£ 500 principal. 90 number of days.		£ 500 principal. 7 twice the rate of interest.	
1-3d	45,000		3,500
1-10th	15,000		90 number of days.
1-10th	1,500		
	150	1-3d	315,000
		1-10th	105,000
	6-1650	1-10th	10,500
	20		1,050
	3-3300		4 31550
	12		20
	3-9600		6-31000
			12
Answer — £ 6 3s. 3d. at 5 per cent.		3-72000	
" £ 4 6s. 3d. at $3\frac{1}{2}$ per cent.			

It must be observed, however, that this method of calculation is not exactly correct ; it produces nearly a farthing too much on every 10*l.* of interest. In calculating large sums, therefore, the amount of these farthings must be deducted.

This mode of calculation is founded upon the rule, that whenever you have to divide by any number under 100, you may divide by 100 ; after having added to the dividend such a proportion of itself as the difference between the divisor and 100 bears to the divisor, the result will be the same as though you had divided in the usual way. This rule is best explained by an example.

Suppose you have to divide 2,500 by 40. Now if 40 be subtracted from 100, there will remain 60. The proportion which 60 bears to 40 is $1\frac{1}{2}$. If then you add to the dividend $1\frac{1}{2}$ times itself, and divide by 100, you have the quotient required ; thus —

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2500
2500
1250

62·50

Answer, 62½.

Now then, to find the interest upon any sum for one day, you may divide by 7,300, or, striking off the ciphers, by 73. The number required to make up 100 is 27. What is the proportion between 27 and 73? If you take the third of 73, a tenth of that third, and a tenth of that tenth, you have something more than 27. And if you add to 73 one third of itself, one tenth of that third, and one tenth of that tenth, you will have $100\frac{1}{100}$, which divided by 100 will give $1\frac{1}{10,000}$. As the proportion is not exact, the interest given by the above rule will always be $\frac{1}{10,000}$ th part too much, which is about a farthing in every £ 10 interest.

In taking the interest for any number of months, it will be useful to remember that the interest of £ 1 for one month at 5 per cent. is 1d. Thus the interest of £ 100 for two months is twice a hundred pence, or 16s. 8d. The interest upon shillings and pence is never taken into the account. If the fraction is more than 10s. it is regarded as £ 1; and if it be less, it is not noticed.

The interest for any number of months, at any rate per cent., may be found by multiplying the number of months by the rate of interest: with this sum divide 1,200. By this quotient divide the principal, and you have the interest required.

Example. — What is the interest of £ 10,000 at 4 per cent. for three months? 4 multiplied by 3 gives 12 — divide 1,200 by 12, and you have 100; then divide 10,000 by 100, and you have £ 100, the interest required.

To find the interest of any sum of money at 6 per cent. for any number of months. This and the subsequent rules may be found illustrated in *Crossley's Intellectual Calculator*, in *Fryer's Mental Arithmetic*, and in similar works.

Rule. — Multiply the number of pounds by the number of months, cut off the unit figure, and the remainder is the answer in shillings. The unit figure multiplied by 1½ will give the pence.

Example. — What is the interest of £ 13,476 10s. 8d. for 6 months at 6 per cent. per annum?

£	s.	d.
13,476	10	8
		6
20)	80,859	4 0
	404	5 · 10

Having obtained the interest of any sum at 6 per cent., it is easy to find the interest at 1½, 2, 3, or 4 per cent. by taking $\frac{1}{4}$, $\frac{1}{3}$, $\frac{1}{2}$, or $\frac{2}{3}$ the interest, as the case may be.

To find one year's interest at any rate per cent.

Rule. — Multiply the money lent by double the rate per cent., reject the unit figure, and you have the answer in shillings.

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Example. — What is the interest of £ 27 10s. for one year at 3 per cent. ?

$$\begin{array}{r}
 \text{£ } s. \\
 27 \quad 10 \\
 \hline
 6 \text{ double the interest.} \\
 \hline
 163 \quad 0 \\
 12 \\
 \hline
 60
 \end{array}$$

Answer, 16s. 6d.

To find the interest of any sum of money at 5 per cent. for any number of months.

Rule. — Take the pounds as pence, and multiply by the months.

Example. — What is the interest of £120 at 5 per cent. for 8 months ?

$$\begin{array}{r}
 s. \\
 120 \text{ pence} = 10 \\
 \hline
 8 \text{ number of months.} \\
 \hline
 \text{£4 } 0 \quad 0 \quad \text{Answer.}
 \end{array}$$

To find the interest of any number of days at 5 per cent.

Rule. — Multiply the days by one third of the pounds, or the pounds by one third of the days, reject the unit figure, and you have the answer in pence. — N. B. As this rule is founded on the assumption that the year consists of only 360 days, you must deduct one penny from every six shillings of interest.

Example. — What is the interest of £120 for 21 days at 5 per cent. ?

$$\begin{array}{rcl}
 \text{£ } 120 & \text{Or} & 21 \text{ days.} \\
 7 = \frac{1}{3} \text{ of 21 days.} & & 40 = \frac{1}{3} \text{ of the pounds.} \\
 \hline
 12) 84,0 & & 12) 84,0 \\
 \hline
 7 \text{ shillings. Answer.} & & 7 \text{ shillings. Answer.}
 \end{array}$$

There is often a difference in the amount of interest according to the method of calculation, either by months or by days. A month from the 10th of February to the 10th of March, is only 28 days; but from the 10th of March to the 10th of April, a month is 31 days. The half year from the 1st of January to the 30th of June, is 181 days; but from the 1st of July to the 31st of December, the half year is 184 days. The interest of £ 10,000 for 6 months is £ 250; for 181 days it is only £ 247 18s. 11d.; for 184 days it is £ 252 1s. 1d. Mr. Reader has published a series of Time Tables, showing the number of days from every day in the year to any other day in the year.

Interest tables, calculated at any rate of interest, may occasionally be employed to ascertain the interest on any sum at a different rate. This is done by taking that proportion of the principal, or of the time, which the given rate of interest bears to the rate of the interest tables. For example, if it be necessary to ascertain the discount on a bill of £ 100 for 50 days at 4 per cent., and you have interest tables calculated at 5 per cent., you may take either four fifths of the time or four fifths of the amount. For, the interest of £ 100 for 40 days, or the interest of

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£ 80 for 50 days, at 5 per cent., is equal to the interest of £ 100 for 50 days at 4 per cent.

When a bill is discounted, bankers charge interest on the full amount of the bill, and take it at the time. Thus, if a bill be discounted at 5 per cent., they will obtain more than 5 per cent. on the money actually advanced. This is allowed by law, and is not liable to be set aside on the ground of usury. Should it be necessary in other cases to allow discount or rebate, the mode of calculating it would be thus :—

Example.—What is the rebate at 5 per cent. on a sum to be received a year hence? Then, as 105 is to 100, so is 100 to the sum required.

$$\begin{array}{r}
 105 : 100 :: 100 \qquad \text{Answer } \pounds 95. 4s. 9\frac{3}{4}d. \\
 \hline
 100 \\
 \hline
 105) 10,000 (95 \\
 \underline{945} \\
 550 \\
 \underline{525} \\
 25 \\
 \underline{20} \\
 105) 500 (4 \\
 \underline{420} \\
 80 \\
 \underline{12} \\
 105) 960 (9\frac{3}{4} \\
 \underline{945} \\
 15
 \end{array}$$

When you have to find the interest of a large sum for one day, you may strike off two figures from the right hand, and take the interest of the remainder for 100 days. Thus, if you have to find the interest of £ 47,863,47 for one day, take the interest of £ 47,863 for 100 days, then take the interest of £ 47 for one day, and add the two sums together. The interest of £ 1 for 100 days is the same as the interest of £ 100 for one day. It may be given as a general rule, that a different time and sum may be employed, provided they yield the same product when multiplied together. Thus, the interest of £ 10,000 for one day is the same as the interest of £ 1,000 for 10 days.

Bankers differ in their mode of calculating the interest upon current accounts. Some have an Interest-Ledger, or cash columns ruled in the Current-Account-Ledger, in which they state the interest upon every individual item in the account. Thus, for instance, the general balance takes place the 30th of June, and the 31st of December. If a sum of money is paid in on the 1st of May, the interest is calculated on that amount from the 1st of May to the 30th of June, and is then carried to the *credit* of the party's interest account. On the other hand, if a cheque be drawn on the 1st of May, the interest is calculated and carried to the *debit* of the interest account. On the 30th of June, the interest account

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is balanced, and the balance is carried to the debit or credit of the party's current account. Other bankers take off the balance of the current account into a separate book (or have columns ruled in the ledger for bringing out the balances [see p. 158]) for every day, from the 1st of January to the 30th of June; add all these amounts together, and then take the interest of the total for one day. To take the interest for one day is a very easy operation. The interest of any sum for one year at 5 per cent. is one twentieth part of the principal, and the interest for one day is the 365th part of the interest for a year. Now, 365 multiplied by 20 gives 7,300. You have then only to divide any sum by 7,300, and you have the interest of that sum for one day at 5 per cent. per annum. The interest of any sum for one day at any other rate than 5 per cent. may be found by multiplying the principal by twice the rate of interest, and dividing the product by 73,000. But the best way is to make use of Gilmer's Interest Tables, published by Sims & McIntyre, of Belfast. Similar Tables have also been published by Mr. Coulthart, manager of the Ashton-under-Lyne Joint-Stock Bank.

Banks who compound for the stamp duty on their notes and twenty-one day bills on London calculate the sum to be paid, by ascertaining the amount in actual circulation every Saturday night. The amounts for all the Saturdays in the half year being added together, and divided by 26, the number of weeks, the quotient shows the average amount in circulation during that period, and the duty paid is at the rate of 3s. 6d. per cent. upon this average amount. This is at the rate of 7s. per cent. upon the average annual amount.

To ascertain what denomination of notes remains the longest in circulation, let the total average circulation for any given period be represented by the number 1,000; and let the amount of each particular denomination be represented by a proportionate part of 1,000. Then let the total amount of notes paid during the same period be represented by 1,000, and the amount of each denomination of notes be proportionally ascertained; then place these two series of numbers in juxtaposition, and it will immediately be seen what denomination of notes remain out the longest. For instance, if the average amount of a banker's circulation consist of £20,000 in £5 notes; £15,000 in £10 notes; £10,000 in £20 notes; and £5,000 in £50 notes, then the proportionate numbers will stand thus:—

Total Circulation.	£ 5.	£ 10.	£ 20.	£ 50.
1,000	400	300	200	100

Then, if during the same period the amount of notes paid of different denominations have been £15,000 in £5 notes; £15,000 in £10 notes; £12,000 in £20 notes; and £8,000 in £50 notes, the proportional numbers will stand thus:—

Total Paid.	£ 5.	£ 10.	£ 20.	£ 50.
1,000	300	300	240	160

By placing these numbers under the preceding ones, it will be perceived that the amount of £5 notes paid is less than the proportional amount in circulation; and, consequently, notes of this denomination re-

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main out the longest; the £ 10 notes remain out a less time; the £ 20 a still shorter term; and the £ 50 notes the shortest term of all.

To ascertain how long a banker's notes remain out, take the average amount in circulation for any given period, say three months; ascertain the amount of notes paid during that period. If the amount paid during the three months is twice the average amount in circulation, then the notes have remained out six weeks. If the amount paid is three times the amount in circulation, then the notes have remained out one month. The term which any particular denomination of notes remains in circulation can of course be ascertained in the way I have already described. These calculations are easily made by a table of logarithms.

The following Account shows the Average Amount of Bank of England Notes in Circulation, distinguishing the Denominations, together with the number of Days the Notes remained out, in the October Quarter 1843, 1844, 1845, 1846, and 1847:—

	October Quarter, 1843.		October Quarter, 1844.		October Quarter, 1845.		October Quarter, 1846.		October Quarter, 1847.	
	Amount.	Days.	Amount.	Days.	Amount.	Days.	Amount.	Days.	Amount.	Days.
	£		£		£		£		£	
£ 5	4,879,000	88.0	5,651,000	86.8	5,911,000	77.8	6,143,000	80.6	5,816,000	74.0
£ 10	3,440,000	91.3	3,881,000	91.4	3,992,000	78.3	4,046,000	79.5	3,759,000	73.6
£ 20	1,221,000	67.4	1,417,000	66.7	1,473,000	58.6	1,458,000	58.9	1,398,000	54.3
£ 30	32,000	23.2	264,000	23.0	236,000	21.1	228,000	20.8	218,000	19.3
£ 40	264,000	17.4	221,000	17.2	205,000	15.5	193,000	15.0	180,000	13.3
£ 50	1,548,000	46.2	1,751,000	48.5	1,773,000	39.8	1,660,000	40.1	1,636,000	37.0
£ 100	1,894,000	34.9	2,249,000	34.1	2,383,000	29.0	2,243,000	27.1	2,294,000	26.2
£ 200	392,000	14.8	399,000	14.4	400,000	12.9	373,000	12.3	362,000	10.9
£ 300	370,000	12.2	397,000	12.4	388,000	10.8	381,000	10.8	354,000	9.0
£ 500	870,000	14.1	827,000	13.8	903,000	12.1	794,000	12.0	803,000	10.3
£ 1,000	2,924,000	12.2	3,082,000	10.3	3,432,000	10.1	2,921,000	8.9	2,355,000	7.3

In calculating commissions for 1 per cent., divide by 100; for $\frac{1}{2}$ per cent., by 200; for $\frac{1}{4}$ per cent., by 400; for $\frac{1}{8}$ per cent., by 800.

In calculating the dividends on stock, if it be in the 4 per cents., the half yearly dividends will be one fiftieth part of the principal. Hence, multiply by 2, and divide by 100.

If the stock be 3 per cents., the half yearly dividend will be $\frac{3}{100}$ ths of the principal. Hence, add to the principal one half of itself, and divide by 100.

If the stock be $3\frac{1}{2}$ per cent., add to the principal one half and one quarter of itself, divide by 100, and you have the half-yearly dividend.

If the stock be $3\frac{1}{4}$ per cent., add to the principal one half and one eighth of itself, divide by 100, and you have the half-yearly dividend.

Examples.—What is the half-yearly dividend on £ 13,476 10s. 8d 3 per cents., $3\frac{1}{4}$ per cents., $3\frac{1}{2}$ per cents., and 4 per cents.?

3 PER CENTS.			$3\frac{1}{4}$ PER CENTS.			$3\frac{1}{2}$ PER CENTS.			4 PER CENTS.		
£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
13,476	10	8	13,476	10	8	13,476	10	8	13,476	10	8
6,738	5	4	6,738	5	4	6,738	5	4			2
<hr/>			<hr/>			<hr/>			<hr/>		
202.14	16	0	218.99	7	4	235.83	18	8	269.53	1	4

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3 PER CENTS.	3½ PER CENTS.	3½ PER CENTS.	4 PER CENTS.
£ s. d.	£ s. d.	£ s. d.	£ s. d.
202.14 16 0	218.99 7 4	235.83 18 8	269.53 1 4
20	20	20	20
2 96	19.87	16.78	10.61
12	12	12	12
11 52	10.48	9.44	7.36

£ s. d.
Answer. — 3 per cent. 202 2 11
" 3½ per cent. 218 19 10
" 3½ per cent. 235 16 9
" 4 per cent. 269 10 7

In making calculations respecting the purchase or sale of stock, multiply the amount of stock by the price, and divide by 100. Stock-brokers have seldom any occasion to make these calculations, as there are books published expressly for their use.

To compute the half-year's dividend on any amount of stock in the 3 or the 3½ per cents., within one penny.

Rule. — Multiply the amount of stock by 3 or 3½, respectively. Take the unit of the pounds produced by that multiplication for pence, and the remaining figures of the pounds for shillings. But when the unit of the pounds produced by this multiplication is more than 4, and also when there are shillings or pence in this product, then one penny must be added to the result for the unit, and one penny for the shillings and pence.

Example 1. — What is the half-yearly dividend on £ 13,476 10s. 8d. in the 3 per cents. ?

£ s. d.
13,476 10 8
3 Multiply by 3.
20) 4042.9 12 0
202 2 9

Add 2d. as above. £ 202 2s. 11d.

Example 2. — What is the half-yearly dividend on £ 13,476 10s. 8d in the 3½ per cents. ?

£ s. d.
13,476 10 8
3
40,429 12 0
3,369 2 8
20) 4379.8 14 8
£ 218 19 8

Add 2d. as above. £ 218 19s. 10d.

In passing through the books a purchase of Long Annuities, debit the account of Long Annuities for the purchase money. Then calculate how much per annum the annuity will yield upon the capital invested, recollecting that the annuity will expire on the first quarter in the year

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1860. Supposing this rate to be 4 per cent., you will, when the annuity is received in April or October, debit Long Annuity account 4 per cent. interest on the purchase money, and credit the same account the amount of the annuity received. The first entry will be passed to the credit of Profit and Loss Account. The second entry will be passed to the debit of Cash Account, as a return of capital. The balance of the Long Annuity account after each entry is made, will show the amount of capital that then remains invested in Long Annuities.

The stock-brokers charge one eighth commission on all purchases and sales of stock; one shilling per cent. on Exchequer Bills and India Bonds. The charges are made on the amount of stock, not on the amount of money invested. In the purchases or sales of shares in public companies, the usual charge is 5s. per share. In continuation accounts, that is, where a party buys stock for money and sells it for time, the charge is only one sixteenth per cent. Upon terminable annuities, the charge is one eighth per cent. upon the money invested. "One eighth commission" is a charge of 2s. 6d. (the one eighth of a pound sterling) on every £ 100; a quarter commission is, of course, 5s. The stock-broker usually allows the London banker one half the commission.

If the stock stands in the name of several persons, any one may receive the dividends, but they must unite to execute a sale. If one or more of the parties die, the stock is transferred by the survivors, without the concurrence of the executors or representatives of the deceased party. Hence, if a father wished to give his son a certain amount of stock at his death, he might place the stock in his own and in his son's name, and upon his death his son would become the actual possessor of the property. Powers of attorney made and executed for the sale or transfer of stock must be deposited at the bank, for examination, before two o'clock, the day previous to being acted upon; if only for receiving dividends upon stock, it is sufficient to present the power of attorney at the time when the first dividend thereon becomes payable. A power of attorney costs £ 1 1s. 6d.; but for Bank, India, and South Sea Stock, £ 1 11s. 6d.

EXPENSE OF A TRANSFER in	£	£	s.	d.	£	£	s.	d.
BANK STOCK, not exceeding . . .	25	0	9	0	exceeding	25	0	12 0
INDIA STOCK, " . . .	10	1	10	0	"	10	1	14 0
SOUTH SEA STOCK, " . . .	100	0	9	6	"	100	0	12 0

The dividends on the 3 per Cent. Consols are paid in January and July. The dividends on the 3 per Cent. Reduced, and on the 3¼ per Cent., are paid in April and October. This last stock bears interest at 3¼ per cent. only till October, 1854; afterwards, 3 per cent.; but the interest cannot be further reduced until October, 1874.

The United States of America reckon their money in dollars. To turn dollars, at the exchange of 4s. 6d. per dollar, into pounds sterling, multiply the number of dollars by 9, and divide by 40. To turn pounds sterling into dollars, multiply by 40, and divide by 9.

The French calculate their stock, not by the amount of the principal, but by the amount of the dividend. Thus, 1,000 francs in the French

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rentes, denote 1,000 francs per annum. To calculate the purchase money for any amount of French rentes, first ascertain the principal. For the 5 per Cents. you multiply by 20, and for the $4\frac{1}{2}$ per Cents. by 22 $\frac{1}{2}$; for the 4 per Cents. by 25, and for the 3 per Cents. by 33 $\frac{1}{4}$. Having obtained the amount of stock, and the price, proceed in the same way as in calculating the purchase money for English stock.

The following quotations from Waterston's "*Commercial Dictionary*" (*A Cyclopædia of Commerce, Mercantile Laws, Finance, Commercial Geography, and Navigation*, by William Waterston, Esq.) will serve to explain the operations connected with foreign bills of exchange:—

"A foreign bill of exchange is an order addressed to a person residing abroad, directing him to pay a determinate sum of foreign money to the person in whose favor it is drawn, or to his order. The amount of foreign money, therefore, to be paid is fixed by the bill; but the amount of British money (or money of the country in which the drawer resides), to be given for the purchase of the bill is by no means fixed, but is continually varying.

"Of the two terms of comparison between the money of one place and that of another, one is fixed, the other is variable. The place whose money is reckoned at the fixed price is, in commercial language, said to receive the variable price; the other is said to give the variable price. Hence, the higher the exchange between any two places, the more it is in favor of that which receives the variable price; the lower, the more in favor of that which gives the variable price;—the exchange being said to be favorable or unfavorable to any place, according as a smaller or larger amount of the currency of that place is required for discharging a given amount of foreign payments. Thus London receives from Paris a variable number of francs and centimes for £1 sterling; and taking the par at 25 francs 34 centimes for £1, exchange will be 5 per cent. in favor of London when it rises to 26 francs 62 centimes, and about 5 per cent. against London when it falls to 24 francs 7 centimes.

"Bill merchants study the exchanges, not only between the place at which they reside and all other places, but also between all those other places themselves, by which means they are generally enabled to realize a profit by buying bills in one place and selling them in another;—in this way preventing any great fall in the price of bills in those countries in which the supply exceeds the demand, and any great rise in those countries in which the supply happens to be deficient. Sometimes exchange operations are conducted with little outlay of capital. Thus, if a bill merchant in London can sell a bill on Amsterdam at half per cent. premium, and buy one at Paris at half per cent. discount, and with the latter buy one at Paris on Amsterdam at par, he will have gained 1 per cent. by the transaction, without the employment of any capital;—the bill remitted from Paris to Amsterdam arriving in time to meet the bill drawn there upon his correspondent. Again, a bill merchant, in order to take advantage of a premium on the exchange, may obtain a credit abroad upon which he may draw bills, under the calculation that at some future and not very distant period he will be able to replace the funds at a lower rate of exchange, and thereby realize a profit by the operation. The central points for such transactions are Hamburgh, Amsterdam, Vienna, Paris, New York, and above all, London, the great money change of the world.

"In this country the buying and selling of bills on foreign countries is conducted by brokers, all such transactions centering in the metropolis. In London, the days for the negotiation of foreign bills are Tuesdays and Fridays, the *foreign post days*. The brokers go round to the principal merchants, and discover whether they are buyers or sellers; and a few of the more influential, after ascertaining the state of the market, suggest a price at which the greater part of the transactions are settled, with such deviations as particular bills may be subject to from their high or low credit. For the bills they buy on one post-day, houses of established credit pay on the following post-day, when they receive the second and third bills of the set;—foreign bills being usually drawn in sets of three. The brokerage charged on bills is 1 per mille, or one tenth per cent.

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"On the evenings of Tuesdays and Fridays, the market rates for bills on all the principal foreign cities, with the current prices of bullion, are published in Wetenhall's 'Course of the Exchange.'"

The following are the places to which England gives a *certain* amount of sterling for a variable amount of foreign money:—

	£		Variable according to the Exchanges.	
Amsterdam short	1	for	12 4 $\frac{1}{2}$	Florins and Stivers.
Do. 3 months	1	"	12 7 $\frac{3}{4}$	do.
Rotterdam do.	1	"	12 8	do.
Antwerp do.	1	"	26 5	Frances and Cents.
Brussels do.	1	"	26 5	do.
Hamburgh do.	1	"	13 14 $\frac{1}{2}$	Mares and Schillings.
Paris short	1	"	25 75	Frances and Centimes.
Do. 3 months	1	"	26 2	do.
Marseilles do.	1	"	26 5	do.
Frankfort do.	1	"	122 $\frac{1}{2}$	Batzen.
Vienna do.	1	"	10 11	Florins and Kreusers.
Trieste do.	1	"	10 12	do.
Leghorn do.	1	"	30 37	Lire Tosc. and Cent.
Genoa do.	1	"	26 5	Lire and Centesimi.

The following are the places to which England gives an *uncertain* amount of sterling for a fixed amount of foreign money:—

		Variable according to the Exchanges.	
Madrid 3 months	36	pence for	1 Dollar of Plate.
Cadiz do.	36 $\frac{1}{2}$	"	1 do.
Naples do.	40	"	1 Ducat.
Palermo do.	119 $\frac{1}{2}$	"	1 Onza.
Messina do.	120	"	1 do.
Lisbon 60 days/d	54	"	1 Milreis.
Oporto do.	53 $\frac{1}{2}$	"	1 do.
Gibraltar do.	48	"	1 Hard Dollar.
Venice do.	47	"	6 Lire Austriachi.
St. Petersburg . . . do.	38	"	1 Silver Rouble.
Rio Janeiro do.	30	"	1 Milreis.
New York do.	47 $\frac{1}{2}$	"	1 United States Dollar.
Calcutta do.	23	"	1 Company's Rupee.

To ascertain the amount of English money that ought to be received for a foreign bill, divide the amount of the bill by the rate of exchange. Thus, suppose the following bill, for 300 francs, were negotiated at the rate of 25 francs 65 cents the pound sterling, then divide 300 by 25·65, and the result will be the amount in English money.

Londres, le 18 Janvier, 1849.

B. P. F^{cs}. 300.

Au vingt Fevrier prochain veuillez payer contre ce Mandat à l'ordre de Messieurs _____ la somme de trois cents francs valeur en compte que vous passerez de même avec ou sans avis de _____

A Messieurs _____

Banquiers, Paris.

Q

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$$\begin{array}{r} 25\ 65 \) \ 300\ 00 \ (\ 11 \\ \underline{2565} \end{array}$$

$$\begin{array}{r} \cdot 4350 \\ \underline{2565} \end{array}$$

$$\begin{array}{r} 1785 \\ \underline{20} \end{array}$$

$$\begin{array}{r} 25\ 65 \) \ 35700 \ (\ 13 \\ \underline{2565} \end{array}$$

$$\begin{array}{r} 10050 \\ \underline{7695} \end{array}$$

$$\begin{array}{r} 2355 \\ \underline{12} \end{array}$$

$$\begin{array}{r} 25\ 65 \) \ 28260 \ (\ 11 \\ \underline{2565} \end{array}$$

$$\begin{array}{r} \cdot 2610 \\ \underline{2565} \end{array}$$

$$\cdot \cdot 45 \quad \text{Answer, } \pounds 11\ 13s. \ 11d.$$

We may observe that all bills are drawn in the money of the country in which they are to be paid.

In the cases referred to in the third paragraph of the above quotation, the calculation is more complicated. To ascertain when it is more advantageous to send money from one country to another through a third country, there must be two "rule-of-three" calculations, instead of one; and if the number of countries is increased, the number of calculations will be increased. But these calculations may be abridged by what is called "the Chain Rule," or "Conjoined Proportion," or "Compound Arbitration." The rule given by arithmeticians is the following:—Place the numbers alternately, beginning at the left hand, and let the last number stand at the left hand. Then multiply the first row continually for a dividend, and the second for a divisor.

Example.—If 12 lbs. at London are equal to 10 lbs. at Amsterdam, and 100 lbs. at Amsterdam are equal to 120 lbs. at Paris, how many lbs. at London are equal to 40 lbs. at Paris?

$$\begin{array}{ll} \text{Left.} & \text{Right.} \\ 12 = & 10 \\ 100 = & 120 \\ 40 & \end{array}$$

$$\begin{array}{r} 12 \times 100 \times 40 = 48000 \\ 10 \times 120 = 1200 \) \ 48000 \ (\ 40 \\ \underline{48000} \end{array}$$

Answer, 40 lbs.

This rule is capable of two modifications. The example we have given, is when it is required to find how many of the first sort of coin, weight or measure, mentioned in the question, are equal to the last. It may be required to find how many of the last sort of coin, weight or measure mentioned in the question, are equal to the quantity of the first. In this case, the following is the

Rule.—Place the numbers alternately, beginning at the left hand, and

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let the last number stand on the right hand. Then multiply the first row for a divisor, and the second for a dividend.

Example.—If 12 lbs. at London make 10 lbs. at Amsterdam, and 100 lbs. at Amsterdam make 120 lbs. at Paris, how many lbs. at Paris are equal to 40 lbs. at London?

Left.	Right.
12 =	10
100 =	120
40	

12 × 100	= 1200
10 × 120 × 40	= 48,000
1200) 48,000 (40	
	48,000
	—

The above examples will explain the principle of the Chain rule. The following example, taken from Mr. Waterston, will show its application with regard to the transmission of money.

London and Paris, through Hamburg. — Find the arbitrated rate between London and Paris when the exchange of London on Hamburg is 13 marcs 12 schillings banco for £ 1; and that of Paris on Hamburg 184 francs 50 centimes, for 100 marcs banco.

This question comes under the second branch of the rule. It is to ascertain how many francs will be obtained for £ 1 sterling when sent to Paris by way of Hamburg; therefore,

£ 1 = 220 schillings banco = 13 marcs 16 schillings.
 Schillings 16 = 1 marc banco.
 Marks banco 100 = 18450 cents = 184 francs 50 cents.
 Cents 100 = 1 franc.
 1 £

Then $1 \times 16 \times 100 \times 100 = 160,000$ divisor.
 $220 \times 1 \times 18450 \times 1 \times 1 = 4059,000$ dividend.
 Answer, 25 francs 37 cents.

It will be seen from the above example, that on the right-hand side the marcs, having also fractional parts, have been reduced to schillings, and the francs to cents; and hence it has been necessary to introduce on the left-hand, the number of schillings in a marc, and the number of cents in a franc: $16 = 1$, and $100 = 1$.

Although in this case the remittance is said to be through Hamburg, yet in practice the operation would be made by purchasing in London, bills on Hamburg, and remitting those bills to Paris, — unless bills on Paris direct could be purchased on more favorable terms.

The calculations which refer to the transmission of gold from one country to another, are very important. To these we will now refer.

In England, the precious metals are weighed by the pound Troy. The following is the table: —

24 Grains	. . . . .	make 1 Pennyweight.
20 Pennyweights	. . . . .	1 Ounce.
12 Ounces	. . . . .	1 Pound.

Standard gold is what is called 22 carats fine; that is, 22 parts of pure gold are mixed with 2 parts of alloy. This alloy consists chiefly, we believe, of copper. Our silver coins have 18 pennyweights of alloy in the pound.

A pound weight of gold is coined into $44\frac{1}{2}$ guineas, and in the same

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proportion for sovereigns. An ounce of standard gold is worth in Great Britain £3 17s. 10½d.; being the twelfth part of £46 14s. 6d., the value of a pound weight of gold.

A pound weight of silver is coined into 66 shillings; and in the same proportion for crowns, half-crowns, and sixpenny pieces.

The specific gravity of gold is 19·360; that is, it is 19,360 times heavier than distilled water.

The specific gravity of silver is 10·474; that of copper is 8·878.

A cubic foot of distilled water weighs 1,000 ounces, or 62·5 pounds avoirdupois, which is equal to 75·95 pounds troy.

Avoirdupois weight is as follows:—

16 Drachms	. . . . .	make	1 Ounce.
16 Ounces	. . . . .		1 Pound.
28 Pounds	. . . . .		1 Quarter.
4 Quarters	. . . . .		1 Hundred.
20 Hundreds	. . . . .		1 Ton.

One lb. avoirdupois is equal to 1 lb. 2 oz. 11 dwts. 20 grs. troy.

A pound avoirdupois is to a pound troy as 1750 to 1440.

1 lb. avoirdupois of copper is coined into 24 pence,—equal to £240 out of a ton. The old pennies weighed exactly an ounce avoirdupois; so that in buying an ounce of any commodity, a poor man might, if he thought he had short weight, use a penny piece for the weight. For some years past, the penny has been only two-thirds of an ounce.

The amount of gold in circulation in Great Britain, including that in the Bank of England, is variously estimated at from 44,000,000 to 60,000,000 sterling. The silver is estimated at 11,000,000, but that includes the coin in the colonies. (*Commons*, 3,483–3,488.)

We often find in the City Article of the *Times*, and sometimes in the *Morning Chronicle* and the *Economist*, paragraphs like the following:—

“The premium on gold at Paris is 7 per mille, which, at the English mint price of £3 17s. 10½d. per ounce for standard gold, gives an exchange of 25·32½; and the exchange at Paris on London, at short, being 25·25, it follows that gold is 0·30 per cent. dearer in Paris than in London.

By advices from Hamburg, the price of gold is 435½ per marc, which, at the English mint price of £3 17s. 10½d. per ounce for standard gold, gives an exchange of 13·10½; and the exchange at Hamburg on London, at short, being 13·10½, it follows that gold is 0·17 per cent. dearer in London than in Hamburg.

The course of exchange at New York on London is 108½ per cent.; and the par of exchange between England and America being 109⅔ per cent., it follows that the exchange is 1·08 per cent. against England; but the quoted exchange at New York being for bills at 60 days' sight, the interest must be deducted from the above difference.”

The real par of exchange between two countries is that by which an ounce of gold in one country can be replaced by an ounce of gold of equal fineness in the other country. In England, gold is the legal tender, and its price is fixed at £3 17s. 10½d. per ounce. In France, silver is the currency, and gold, like other commodities, fluctuates in price accord-

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ing to supply and demand. Usually, it bears a premium or agio. In the above quotation, this premium is stated to be 7 per mille; that is, it would require 1,007 francs in silver to purchase 1,000 francs in gold. At this price the natural exchange, or that at which an ounce of gold in England would purchase an ounce of gold in France, is 25.32 $\frac{1}{4}$. But the commercial exchange — that is, the price at which bills on London would sell on the Paris exchange — is 25 francs 25 cents, showing that gold is 0.30 per cent. dearer in Paris than in London. Tables have been constructed to show the results of each fluctuation in the premium of gold in Paris. In the next section we shall insert a table of this kind with reference not only to Paris, but also to Hamburgh and to Amsterdam.

At Hamburgh, again, the exchange is the other way. The price of a mark of fine gold is 435 $\frac{1}{2}$ marcs banco, which gives an exchange of 13.10 $\frac{1}{4}$ marcs and schillings against the pound sterling. But the commercial exchange is 13.10 $\frac{5}{8}$, which makes a difference of $\frac{3}{8}$ of a schilling; and it follows that gold is 0.17 per cent. dearer in London than in Hamburgh.

The Money Table of the United States stands thus:—

10 Mills	. . . . .	make	1 Cent.
10 Cents	. . . . .		1 Dime.
10 Dimes	. . . . .		1 Dollar.
10 Dollars	. . . . .		1 Eagle.

The following regulations were adopted in the year 1834 respecting gold and foreign coins:—

“Be it enacted by the Senate and House of Representatives of the United States of America, in Congress assembled, that the gold coins of the United States shall contain the following quantities of metal; that is to say, each eagle shall contain 232 grains fine gold, and 258 grains standard gold; each half eagle, 116 grains fine gold, and 129 grains standard gold; each quarter eagle shall contain 58 grains fine gold, and 64 $\frac{1}{2}$ grains standard gold; every such eagle shall be of the value of 10 dollars; every such half eagle shall be of the value of 5 dollars; and every such quarter eagle shall be of the value of 2 dollars and 50 cents; and the said gold coins shall be receivable in all payments, when of such weight, according to their said respective values; and when of less than such weight, at less values, proportioned to their respective actual weights.”

“Be it enacted, &c., that from and after the 31st day of July next, the following gold coins shall pass current as money within the United States, and be receivable in all payments, by weight, for the payment of all debts and demands, at the rates following; that is to say, the gold coins of Great Britain, Portugal, and Brazil, of not less than 22 carats* fine, at the rate of 94 cents and 8-10ths of a cent per pennyweight; the gold coins of France, 9-10ths fine, at the rate of 93 cents and 1-10th of a cent per pennyweight; and the gold coins of Spain, Mexico, and Columbia, of the fineness of 20 carats, 3 grains, and 7-16ths of a grain, at the rate of 89 cents and 9-10ths of a cent per pennyweight.”

Under the above Acts of Congress the English sovereign was made a legal tender at the rate of 94 $\frac{9}{10}$ cents per pennyweight. Hence, the full weight of the sovereign being 5 dwts. 3.274 grs., it was made equivalent to 4 dollars and 87 cents; or 487 dollars equal £100. But, according to a rule established in 1789, and ever since retained in exchange

* This is the usual mode of expressing the fineness of gold. The ounce is divided into 24 carats. If, out of this mass, 2, 3, or 4 parts out of the 24 consist of alloy, the whole is said to be 22, 21, or 20 carats fine.

operations, the par of the dollar is paid at 4s. 6d. sterling, which gives for 487 dollars £ 109 11s. 6d. The nominal par thus exceeds the real par £ 9 11s. 6d., or $9\frac{2}{3}$ per cent. In this way, when the exchange is nominally $9\frac{2}{3}$ premium, it is really at par. The above calculations are subject to some slight modifications by an Act of Congress fixing the amount of alloy in both the gold and silver coins at one tenth; but commercially the par of exchange between England and America is usually quoted as equal to $109\frac{2}{3}$ per cent.

When we read in the above calculations that gold is so much dearer in one country than the other, we must not infer that gold can therefore be sent thither at a profit. We must take into account the expense of conveyance. It is generally considered that the charges and loss of interest attendant on sending gold to America, do not amount to much less than $2\frac{1}{2}$ per cent.

Before closing this subject, we will make some remarks on our exchanges with India. It has been seen, that with this country we give an uncertain amount of sterling for a fixed amount of foreign money; that is, we give so many pence (say 23 or 24) for a rupee. The lower the exchange, that is, the fewer pence we give for the rupee, the more favorable is the exchange for England. For, the lower the rate, the more favorable is the exchange to that country in whose currency the rate is reckoned.

The following is the Table for East India Money:—

12 Pice	.	.	.	.	.	.	.	make	1 Anna.
16 Annas	.	.	.	.	.	.	.	.	1 Rupee.
100,000 Rupees	.	.	.	.	.	.	.	.	1 Lac.
100 Lacs	.	.	.	.	.	.	.	.	1 Crore.

Taking the rupee at 2s., a crore of rupees is equal to £ 1,000,000 sterling. A lac is, of course, £ 10,000. The figures expressing Indian money are not easily understood by Europeans. The capital of the Bank of Bombay is stated at 52,25,000 rupees, and the capital of the Bank of Bengal at 1,10,13,580 „ 1 „ 7. These figures should be respectively read thus:—Fifty-two lacs, twenty-five thousand rupees; One crore, ten lacs, thirteen thousand five hundred and eighty rupees, one anna, and seven pice.

The East India Company in London issue bills on India. They also discount in India, bills drawn on London, taking as collateral security the bills of lading and the policies of insurance of the goods against which the bills are drawn. Their advances are usually to the extent of three fourths, or sometimes three fifths, of the estimated value of the goods. The rate of exchange is publicly announced, and undergoes modification from time to time, according as the Company may have occasion to accumulate funds in London or in India. (See the Evidence of W. P. Paton, Esq., and J. D. Dickenson, Esq., before the Committee of the House of Commons, on Commercial Distress, 1848.)

In making further observations upon the subject of this section, we may observe, that there is often a great facility acquired in performing arithmetical operations by varying the numbers, and especially if we can substitute ten or a hundred for some other number. And sometimes we

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may change the operation, and use multiplication for addition, or the reverse. Thus, if we have to multiply by 15, we can multiply by 10 by adding a cipher, and then add half the sum. If we have to take three fifths of a number, we may take the sixth tenths. Instead of dividing by 25, we may multiply by 4, and divide by 100; or, instead of multiplying by 25, we may multiply by 100 and divide by 4.

To calculate the interest on large sums at any rate per cent., it is usually best to find the interest at 1 per cent. (as you have only to divide by 100), and then multiply by the rate per cent.

It is useful sometimes to know how many persons enter a bank in the course of a day, and during what hours the greater number arrive. To do this, set a person in the hall, with a paper marked 9 to 10, 10 to 11, and so on. Then, when a person enters a bank between the hours of 9 and 10 o'clock, he will make a mark like a figure 1. This mark he will repeat as every additional person enters. He will go on in this way all through the day. When the bank closes, he will ascertain by counting the marks how many persons have entered the bank during each hour, and how many altogether. The cashiers should go to dinner during the hour in which the fewest people come to the counter. And if a clerk wants a day's holiday he should fix on the day on which the fewest people enter the bank. It is in this way that a man standing in the street is able to keep a register of the number of omnibuses that may pass him during the day.

Occasionally we find that "calculating boys" have been exhibited who have performed arithmetical operations with wonderful rapidity. In some cases they have explained their mode of doing so. It would appear that they have in their mind a large multiplication table, not ending at 12 times 12, but extending to 50 times 50, or 100 times 100; secondly, they have a great rapidity of finding equivalent numbers by which the questions are more easily worked; and thirdly, they have a great power of memory, by which they can carry on operations in their mind without committing them to paper. They seemed to have these endowments by nature; but they may all, in a degree, be acquired by application. A large multiplication table may be learned by perseverance. A facility of finding equivalent numbers may be acquired by study and practice. And even arithmetical operations may be performed by the memory. Let a person try to work a sum in the rule of three in this way, *in perfect darkness*, and he will find it not so difficult as he would at first imagine. But the facilities thus acquired by application would, of course, be vastly inferior to the endowments exhibited by these "calculating boys." It is remarkable that these boys are not found to retain this wonderful faculty after they are grown to be men.

The various systems of artificial memory profess to teach the art of remembering figures. This is done by turning figures into letters, and then forming a word from those letters, or by associating a symbol with the number, or by adding the letters to the end of the word. Thus, suppose the floor of the room in which you are sitting were divided into nine compartments, and had a figure and letters in each compartment; thus:—

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1. B. C.	2. D. F.	3. G. H.
4. J. K.	5. L.	6. M. N.
7. P. Q.	8. R. S.	9. T. V.

Now, if you wished to remember the number 29, you might form the word "foot," and the consonants *f* and *t* would give you 29. If you wished to recollect 86, form the word "room." So, if the number were 53, it would be represented by the word "log." The word "book" would represent 17; the word "paper," 778; and "ledger," 5238. The advantage of having two letters to one figure is, that you can more easily form words; for if one letter will not form a word, the other may. Besides, if you should forget what letter represents any figure, by running over the alphabet you will call it to mind.

We have supposed these numbers and figures placed on the floor. Now stand in the centre of the room, with your face toward the window. Divide the wall before you into the same compartments as the floor, and place over the wall on the ceiling the number 10. You have then before you all the numbers, from 10 to 19 inclusive. Divide the wall on your right hand in the same way, and place over it the number 20. Over the wall behind you place 30; and over the wall at your left hand place 40; and over your head in the centre of the ceiling place the number 50. You have now a local place for all the numbers, from 1 to 50. And if you wish at any time to recollect any one of these numbers, your memory will be assisted by calling to mind its locality in this room.

You may go further than this. You may place in each of these fifty squares a symbol; that is, the figure of a tree, a flower, a bird, a beast, a fish, or any thing else. For instance:—In the compartments on the floor you may place trees, the name of each tree beginning with the letter belonging to the compartments. The compartments from 10 to 20 may each have a flower; from 20 to 30, a bird; from 30 to 40, a beast; and from 40 to 50, a fish. And then, if you wish to recollect any matter, you may form some fanciful association between it and the symbol.

Dr. Grey's system is different from that we have described. He represents the numerals by the following consonants and vowels:—

1	2	3	4	5	6	7	8	9	0
b	d	t	f	l	s	p	k	n	w
a	e	i	o	u	au	oi	ei	ou	y

Then, to recollect a date, you will alter the termination of the word, and

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place those letters that correspond with the figures. Thus, he calls Alexander the Great, *Alexita*, and the last three letters show that he died 331 years before the Christian era. Julius Cæsar is called *Julios*, showing that he died 46 years before the same period; and *Romput* shows that Rome was founded 753 years before the Christian era.

These systems of artificial memory have not been found in practice to answer the eulogiums of their professors. Nevertheless, they are occasionally useful in assisting the recollection of figures.

The following questions may be instructive or interesting to those young men who may be disposed to work them:—

When a banker discounts bills having two, three, six, nine, and twelve months to run, charging at the time the discount of 4 per cent., what rate of interest does he obtain on the money actually advanced at these respective dates?

Suppose a banker should lend £100,000 consols at 90, from the 1st of January to the 13th day of February, at 1-16th continuation, and should part with the money at £10,000 a day in the discount of bills at $2\frac{1}{2}$ per cent., all of which bills should fall due, in equal proportions, on the 10th, 11th, and 12th of February, what would he gain by the transaction?

If a banker buy consols at 90 on the 1st of December, receive the half-yearly dividend on the 8th of January, and sell the consols again at 90 on the 1st of February, what interest per cent. per annum does he receive for his money after deducting the income tax?

If a Long Annuity (which expires in January, 1860) is bought at $8\frac{1}{2}$ on the 1st day of March, 1849, what rate of interest does it yield after paying the income tax of sevenpence in the pound on the annuity?

Suppose there were thirty clerks in a bank, the junior had £80 per annum and the senior £500, and they increased in arithmetical progression, what is the ratio of their increase, and what is the total amount of their salaries?

Suppose you were asked to make an advance on a lease which had twenty years to run, and on which there was a net profit rent of £100 per annum, what advance would you make upon it, calculating its present value at 7 per cent., and taking a margin of one third its value?

If a bank which has £20 paid up on each share, pays a dividend of 6 per cent., how much is that per share?

If a bank gives an annual bonus of 7s. per share, on which £10 is paid up, how much is that per cent. per annum?

One ounce of standard gold is worth £3 17s. 10½d. A sovereign is worth twenty shillings. What should be its weight?

A pound weight of silver is coined into sixty-six shillings. What are the respective weights of a sixpenny-piece, a shilling, and a half-crown?

A ton weight of copper avoirdupois is coined into £240 in penny-pieces: What is the weight of a halfpenny-piece?

What is the weight of a cubic foot of gold, and into how many sovereigns may it be coined?

What is the weight of a cubic foot of silver, and into how many shillings may it be coined?

What is the weight of a cubic foot of copper, and into how many farthings can it be coined?

A cubic foot of gold will displace a cubic foot of water, but how much water would be displaced by a cube of silver of the same weight?

The gold that came to Solomon in one year was six hundred three score and six talents. Supposing this to be pure gold, how much alloy must be added to reduce it to standard gold, and what then would be the number of talents?—Supposing this standard gold to be taken to the issue department of the Bank of England, under the Act of 1844, and bank-notes received in exchange at the rate of £3 17s. 9d. per ounce, what amount of bank-notes would be received, taking the Hebrew talent as equal to 113 lbs. 10 oz. 1 dwt. 10 grs. troy?—Supposing payment of these notes should after-

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wards be demanded in sovereigns, which are coined at the rate of £3 17s. 10½d. per ounce, what would be the total weight of these sovereigns?

Find the arbitrated rate of exchange between London and Amsterdam when the exchange of London on Madrid is 37 pence for one dollar of plate, and that of Amsterdam on Madrid is 100 florins 75 cents. for 40 ducats of plate.

Bar gold in London is 77s. 9d. per ounce standard: required the arbitrated rate of exchange produced by its export to the United States for coinage, at the rate of 232½ grains of fine gold for the eagle of 10 dollars.

Bar silver in London is 60 pence per ounce standard; in Amsterdam 104½ florins per pond fine; required the arbitrated rate of exchange, the Netherlands pond being equal to 1,000 wigties, and 31.1002 wigties equal to one ounce troy.*

If the premium on gold at Paris is 5½ per mille, and the exchange at Paris on London is 25 27½, how much per cent. is gold dearer in Paris than in London?†

If the price of gold at Hamburgh is 435 per marc, and the exchange at Hamburgh on London is 13.10½, how much per cent. is gold dearer in Hamburgh than in London?†

SECT. XIV. — BANKING DOCUMENTS.

By banking documents, I mean such reports, bonds, deeds, letters, or other writings, as are used in connection with banking.

I. I shall notice those Documents that are used in the formation of a Joint-stock Bank.

When any persons propose to form a joint-stock bank in any district, they procure the statistical returns of the district; such as the tables of the population, — the exports and imports, — the duties paid, — the returns of the sales in the various markets, — and every other information respecting the trade and wealth of the district. If these prove satisfactory, they take notice of the banks already established there, and observe whether they are joint-stock banks or private banks, — whether strong or weak, — and whether likely to oppose or to join any new establishment. If the existing banks be joint-stock banks, the projectors procure from the stamp-office a list of the shareholders, in order to observe the strength of their proprietary, and whether they reside chiefly in the district.

Having satisfied themselves that a new bank would be successful, the first document drawn up is a prospectus. This document usually sets forth the great advantage of joint-stock banking to both the public and the shareholders, and then points out the facilities of the district in which the bank is proposed to be established.

Previous to issuing the prospectus, some leading persons in the district are requested to become members of a provisional committee for the formation of the bank, and they obtain the assistance of an influential solicitor, to whose office the applications for shares are usually addressed. The committee then appoint a secretary, or sometimes the office of secretary is filled by the solicitor.

* The last three questions are taken from *Waterston's Manual of Commerce*, where the operations are performed.

† See the Table No. 18, in the next section

Banking Documents.

Attached to the prospectus is the form of an application for shares, similar to the following : —

_____ BANKING COMPANY.

HEAD BANK, _____.

Capital, £ _____ in _____ Shares, of £ _____ each.

APPLICATION FOR SHARES.

To the Provisional Committee of the _____ Banking Company.

GENTLEMEN,

I beg to apply for _____ shares in the above bank, upon the conditions of the published prospectus. If the shares be granted, my utmost influence shall be exerted in support of this bank.

I am,

Yours respectfully,

Name
Business or Profession
Residence

As the applications come in, they are entered in a book prepared for the purpose. In the first column is entered the date of the application ; then follow the name, profession, and residence of the applicant ; then the number of shares applied for, and in a further column the number of shares granted. After the committee have determined what number of shares to allot to each applicant, letters are addressed to the respective parties in the following forms : —

SIR,

I am instructed by the Provisional Committee of the _____ Banking Company, to inform you, that they have allotted you _____ shares in the Company ; and you are requested to pay the sum of _____ upon each share, to _____, where you will receive the certificate.

I am, Sir,

Your most obedient Servant,

A. B. Secretary.

SIR,

Your application for _____ in the _____ Banking Company has been laid before the Provisional Committee, who regret, that in consequence of the numerous applications, they are unable to comply with your request.

I am, Sir,

Your obedient Servant,

A. B. Secretary.

The certificates granted upon receipt of the first payment on the shares are different. Some use the following form : —

_____ BANKING COMPANY.

DEPOSIT CERTIFICATE.

No.

_____ 18
This is to certify, that the bearer hereof has paid the sum of £ _____

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being the allotment fee of _____ per share upon _____ shares of £ _____ each, allotted to him in the capital stock of the above Banking Company.

For the Provisional Committee
of the _____ Banking Company.

Other banks adopt the form of a receipt, thus : —

_____ BANKING COMPANY.

Received of Mr. _____ on account of the above bank, the sum of £ _____ being the deposit of _____ per share on his being admitted a holder of _____ shares.

_____ 18

After the sums have been received, a general meeting of the shareholders is called in the following form : —

_____ BANKING COMPANY.

_____ 18

Sir,

I am instructed by the Provisional Committee to inform you, that the first general meeting of the shareholders in the above Banking Company will be held at the _____ on _____ next, for the purpose of submitting a report of their proceedings, electing a board of directors, and adopting resolutions for the immediate constitution of the Company.

The chair will be taken at twelve o'clock.

Lest you should be unable to attend, I annex a form of proxy for voting, the blanks of which you must fill up before it is placed in the hands of a shareholder.

I am, Sir,

Your obedient Servant,

_____ Secretary.

PROXY FOR VOTING.

_____ BANKING COMPANY.

I, the undersigned, a shareholder in the above Banking Company for _____ shares, do hereby appoint _____ also a shareholder therein, to vote for me, and on my behalf, at the first general meeting of shareholders, to be held in _____ on _____ instant.

Witness my hand this _____ day of _____ 18

Name

Residence

No. of shares.

At the general meeting the provisional committee make a report of their proceedings. Resolutions are then passed, — 1. That the report be received and printed ; — 2. That certain shareholders then named be appointed directors ; — 3. That the thanks of the meeting be given to the provisional committee. The bank is now formed, and the government is

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assumed by the directors. They appoint the manager and other officers; they prepare the deed of settlement; and they adopt the measures necessary for the commencement of business.

II. — The Deed of Settlement.

This is the deed of partnership, which must be signed by all the shareholders. It fixes the name of the bank, — the places where business is to be carried on, — and the denomination and number of the shares. It regulates the appointment of directors, — the qualifications of shareholders, — and the mode of holding meetings, transferring shares, and making dividends. It also provides for the winding up of the affairs of the bank, in case it should not be successful. So many joint-stock banks have printed their deeds of settlement, that any new bank would find no difficulty in procuring a copy. All banks now introduce a clause, providing that if one third or one fourth of the paid-up capital be lost, the bank shall be dissolved: and generally there is a clause authorizing any alteration of the deed by two successive meetings of the shareholders specially summoned for that purpose.

III. — Bonds of Security by the Officers.

The following form may be adopted for a manager:—

Know all men by these presents, that we, *A. B.* of _____ *C. D.* of _____ *E. F.* of _____ and *G. H.*, are held and firmly bound to *W. X.* and *Y. Z.* in the sum of *five thousand* pounds of lawful money of Great Britain, to be paid to the said *W. X.* and *Y. Z.* or their certain attorney, executors, administrators or assigns, for which payment to be well and truly made, we bind ourselves and each of us, and any three, or two of us, and our and each of our heirs, executors, and administrators, and the heirs, executors, and administrators of any three, or two of us jointly, severally, and respectively, firmly by these presents. Sealed with our seals. Dated this _____ day of _____ in the year of our Lord *one thousand eight hundred and*

Whereas the above-bounden *A. B.* has been appointed chief manager of a certain public joint-stock banking company, called the _____, of which company, and for the general purposes thereof, the above-named *W. X.* and *Y. Z.* have been appointed *trustees*. And it was agreed, that on the appointment of the said to be such manager as aforesaid, he should with sureties enter into a bond to guarantee his fidelity and honest conduct while in the service of the said company. And whereas each of them, the above bounden *C. D.*, *E. F.*, and *G. H.* has, at the request of the said *A. B.* agreed to become surety for him as aforesaid to the extent of *five thousand pounds*: Now the condition of the above-written bond or obligation is, that if the said *A. B.* do and shall from time to time while he shall continue in the service of the said company as the chief manager of the said company, diligently and faithfully serve them, and devote the whole of his time and attention to their business, and give such reasonable attendance at their banking-house, as the directors for the time being of the said company shall from time to time require, and do and shall keep all the secrets of the said company, and inform the said directors of the company for the time being of all such letters, writings, papers, and occurrences whatever as shall from time to time come to his knowledge respecting the said business,

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and do and shall keep all the cash accounts, ledgers, books, deeds, writings, and papers, belonging or relating to the said concern in a proper and business-like manner, and regularly answer the letters of their correspondents, and do and shall take due care of the moneys, securities for money, and property belonging to the said company, or placed in their custody, and do and shall from time to time account for, render, and make over to the directors for the time being of the said company, all such cash, bills, notes, and other securities as shall from time to time come, or without his wilful default might have come to his hands, and shall not embezzle, conceal, or waste, nor permit (as far as in him lies) to be embezzled, concealed, or wasted by others any of the property of the said company, or which shall have been intrusted to their care, and do and shall receive all the customers of the said banking-house with civility, and make up the notes or memorandums of their respective affairs when necessary, and do and shall as far as in him lies cause the clerk or clerks of the said company to give full and due attendance at their said banking-house, and there to conduct and demean himself or themselves diligently and faithfully and in an orderly manner: and also if the said *A. B.* do and shall in all other respects diligently, skilfully, and faithfully demean and conduct himself as the chief manager of the said company: and moreover, if they the said *C. D.*, *E. F.*, and *G. H.*, their heirs, executors, or administrators, or some of them, shall and do well and sufficiently save harmless and keep indemnified the said company and the directors and all other members thereof from and against all losses, costs, charges, and expenses which shall or may happen or come to them for or by reason of any act, deed, matter or thing whatsoever, wilfully and improperly done, or wilfully and improperly omitted to be done by the said *A. B.* in or during the said service, then the above-written obligation shall be void, but otherwise the same shall be in full force. Provided always and it is hereby declared, that under the said obligation, the said *C. D.*, his heirs, executors, or administrators, shall not be liable to a greater sum in the whole than *two thousand five hundred pounds*, nor the said *E. F.* his heirs, executors, or administrators to a greater sum in the whole than *one thousand five hundred pounds*, nor the said *G. H.* his heirs, executors, or administrators to a greater sum in the whole than *one thousand pounds*. As witness the hands and seals of the said parties.

The following is the form for a clerk : —

Know all men by these presents, that *A. B.*, *C. D.*, and *E. F.*, are held and firmly bound to *W. X.* and *Y. Z.*, in the penal sum of *one thousand pounds* of lawful money of Great Britain, to be paid to the said *W. X.* and *Y. Z.*, or their certain attorney, executors, administrators, or assigns, for which payment to be well and truly made, we bind ourselves and each of us, and our and each of our heirs, executors, and administrators, and the heirs, executors, and administrators of any three or two of us jointly, severally, and respectively firmly by these presents. Sealed with our seals. Dated this _____

Whereas the above bounden *A. B.* has been appointed a clerk in a certain public company, called the _____, of which company and for the general purposes thereof the above-named *W. X.* and *Y. Z.* have been appointed trustees. And it was agreed that on the appointment of the said *A. B.* he should with sureties enter into a bond to guarantee his fidelity and honest conduct. And whereas the above bounden *C. D.* and *E. F.* have at the request of the said *A. B.* agreed to become surety for him as aforesaid to the extent of *five hundred pounds* each. Now the conditions of the above-written obligation is, that if the said *A. B.* do and shall, while he shall continue in the service of the said company as such clerk, diligently and faith-

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fully serve them, and devote the whole of his time and attention to their business, and give such reasonable attendance at their office, as the directors or manager for the time being of the said company shall from time to time require; and do and shall keep all the secrets of the said company, and inform the directors of the said company for the time being of all such letters, writings, papers, and occurrences whatsoever, as shall from time to time come to his knowledge respecting the said business; and do and shall from time to time account for and make over to the directors or manager for the time being all such cash, bills, notes, and other securities as shall from time to time come or without his wilful default might have come to his hands, and shall not embezzle, conceal, or waste, nor permit (as far as in him lies) to be embezzled, concealed, or wasted by others, any of the property of the said company, or which shall have been intrusted to their care. And also if the said *A. B.* do and shall in all other respects diligently, skilfully, and faithfully demean and conduct himself as such clerk of the said company. And moreover, if they the said *C. D.* and *E. F.*, their heirs, executors, and administrators, or some of them shall and do well and sufficiently save harmless and keep indemnified the said company and the directors and all other members thereof from and against all losses, costs, charges, damages, and expenses, which shall or may happen or come to them for or by reason of any act, matter, or thing whatsoever wilfully and improperly done, or wilfully and improperly omitted to be done by the said *A. B.* in or during the said service, then the above-written obligation shall be void, otherwise the same shall be in full force. Provided always, and it is hereby declared, that under the said obligation the said *C. D.*, his heirs, executors, or administrators, shall not be liable to a greater sum in the whole than *five hundred pounds*; nor the said *E. F.* his heirs, executors, or administrators, to a greater sum in the whole than *five hundred pounds*. As witness the hands and seals of the said parties.

IV. — Declarations of Secrecy.

The following is the form for the directors and trustees: —

We, the undersigned persons, being respectively the directors and honorary directors, and trustees of the public Joint-stock Company called _____, do severally declare that we will respectively, faithfully, and impartially discharge the several duties devolving on us as such directors as aforesaid, according to the deed of settlement of the company, bearing date the _____ day of _____, and any laws and regulations that may be made in pursuance thereof. And we do hereby pledge ourselves, and as inviolably as if we had taken our oaths thereto, that we will observe the strictest secrecy on the subject of all transactions of every description of the company, with their customers for the time being, or with any other bodies or persons whatsoever, and on the subject of the accounts of all bodies and individuals from time to time having accounts with the said company. Dated this _____ day of _____, 18____.

The following is the form for the officers: —

Declaration of Secrecy by the Managers and Clerks.

We, the undersigned persons, being respectively managers, accountants, cashiers, tellers, and clerks of the _____ Banking Company, do severally declare, that we will respectively, faithfully, honestly, and impartially discharge the several duties devolving on us as such managers, accountants, cashiers, tellers, and clerks

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as aforesaid, according to the directions of the directors of the company, and any laws and regulations that may be made by them. And we do hereby severally pledge ourselves, and as inviolably as if we had taken our oaths thereto, that we will observe the strictest secrecy on the subject of all transactions of every description of the company with their customers for the time being, or with any other bodies or persons whatsoever, and on the subject of the state of the accounts of all bodies and individuals from time to time having accounts with the said company. Dated this _____ day of _____, 18_____.

*V. — Letters of Guarantee,**

With reference to Advances or to Bills Discounted.

Bill-brokers usually give a letter of guarantee, instead of indorsing the bills they have discounted with the bankers. And sometimes one party will guarantee to the bank the bills discounted for another.

(1.)

To the Directors of the _____ Banking Company.

GENTLEMEN,

In consideration of your paying the cheques of Mr. _____, or otherwise advancing him sums of money, I hereby guarantee the repayment thereof upon demand, to the extent of one thousand pounds.

I am, &c.

(2.)

To the Directors of the _____ Banking Company.

GENTLEMEN,

In consideration of your discounting a bill for £ _____, drawn by *A. B.* or *C. D.* dated _____, at _____ months, I hereby guarantee the due payment of the same at maturity.

I am, &c.

(3.)

GENTLEMEN,

In consideration of your discounting the above bills, I hereby guarantee the punctual payment thereof as they respectively fall due.

I am, &c.

(4.)

GENTLEMEN,

Mr. *John Slender* may have occasion to offer you sundry bills for discount. In consideration of your discounting such of them as you approve of, which I request you to do, I hereby guarantee the punctual payment of such bills when due.

I am, &c.

* There are some excellent remarks on this subject, as well as on other matters connected with practical banking, in "*Chapters on Country Banking*," by J. R. Rogers. (E. Wilson, publisher.)

Banking Documents.

VI. — A Form of Letter,

To be signed by a Party lodging Deeds or other Documents as Security for Advances of Money.

(1.)

To the Directors of the _____ Banking Company.

GENTLEMEN,

I have sent you the title deeds, and other writings, relating to my several freehold and copyhold estates and properties, in or near _____, in the county of _____, and which documents I hereby declare are deposited with you, as a security for all sums of money now or hereafter to become due from me, either solely, or jointly with others, to the said banking company, either upon banking account, or in any other manner howsoever (including interest, commission, and all other usual banking charges); and I hereby engage, upon request, to execute to you, or to the trustees of the said company, a mortgage of the said tenements and premises, for the better securing the said sum or sums of money, intended to be hereby secured, such mortgage to contain a power of sale, and all other usual covenants, and to be at my expense.

I am, &c.

(2.)

GENTLEMEN,

Having this day borrowed of you £ _____, upon a deposit of the under-mentioned securities, which sum is to be repaid to you, with interest at _____ per cent. per annum, on the _____ next, I hereby authorize you, in case the said sum of £ _____ shall not be repaid as aforesaid, to sell the said securities, or any part thereof, whenever you may think proper so to do, and repay yourselves the sum of £ _____ and interest, returning to me the surplus (if any), or holding it for my account; and in the event of any deficiency, I hold myself responsible to you and the survivors of you for the same.

I am, &c.

(3.)

GENTLEMEN,

In consideration of the loans, advances, or discounts which may be made to me, or upon my request by you, I hereby charge all or any title deeds or other property belonging to me, which I may place or leave in your hands, with the repayment of all such loans, advances, or discounted bills, together with all costs, interest, and charges thereon; and I hereby undertake to make an assignment by way of mortgage, with power of sale, whenever called upon so to do, of the property which I may or shall be entitled to under such title deeds.

I am, &c.

VII. — Memorandum of Agreement with reference to the Lodgment of Deeds.

MEMORANDUM, that on the _____ day of _____, in the year of our Lord one thousand eight hundred and forty_____, _____ hath delivered to _____, at their office in _____, in the county of _____, the several title deeds and documents mentioned and comprised in the schedule herunto annexed, for the purpose of securing to

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the proprietors in the said banking company for the time being, of whomsoever the same banking company may from time to time consist, all and every sum and sums of money which shall at any time hereafter be due or owing from _____, on the balance of his account current with the said banking company, either for money paid or advanced, or to be paid or advanced, by the said banking company unto the said _____, or at his request, or which shall be secured by any bond or bill of exchange drawn or endorsed by the said _____, or by any promissory note or other contract whatsoever, with interest for the same respectively, from the several times at which they respectively shall be advanced, or at which the said bonds, bills, notes, or other contracts respectively shall become due, and thenceforth until payment thereof respectively after the rate of _____ per centum per annum, with commission and other usual banker's charges, so as the same do not exceed in the whole the sum of £ _____.

And the said _____ doth hereby promise and agree with and to the said banking company that he the said _____, whenever thereunto required by the said banking company, shall and will effectually convey and assure all and singular the hereditaments and premises comprised in the said deeds and writings unto and to the use of the said banking company, in such manner as shall be lawfully required by them, free from incumbrances; subject, nevertheless, to redemption on payment by the said _____ of such sum of money as shall be therein expressed to be secured with interest in manner aforesaid. And in the said indenture of mortgage shall be contained all usual clauses and covenants, with power of sale in case default shall be made in payment of the principal and interest to be thereby secured, or any part thereof. As witness the hand of the said _____, the day and year first above written.

(The schedule above referred to.)

VIII. — *Cash Credit Bond.*

Almost every bank that grants cash credits has its own form of bond. I think the following as good as any that I have seen :—

Know all men by these presents, that we, *A. B.*, of _____, *C. D.*, of _____, and *E. F.*, of _____, are jointly and severally held and firmly bound to *W. X.* of _____, and *Y. Z.* of _____, two of the trustees of the society or co-partnership called the _____, in the penal sum of _____ pounds of lawful money of Great Britain and Ireland, to be paid to the said *F. G.* and *H. I.*, or their certain attorneys, executors, administrators, and assigns, for which payment, to be well and truly made, we bind ourselves, and each and every of us, and our, and each and every of our heirs, executors, and administrators, jointly, severally, and firmly by these presents. Sealed with our seals. Dated this _____ of _____.

Whereas the above-bound *A. B.* has opened an account with the above-mentioned society or co-partnership, called the _____, at their establishment, at _____, and is desirous of being accommodated by the said society or co-partnership, from time to time, in some one or other of the various modes in which bankers are in the habit of affording accommodation, and to induce the said society or co-partnership to take the said account, and to accommodate

Banking Documents.

him from time to time, in some one or other of the modes aforesaid, the said *A. B.* and the said *C. D.* and *E. F.* as his sureties, have agreed to enter into the above-written bond or obligation with such conditions as hereinafter is expressed.

Now the condition of the above-written bond or obligation is such, that if the said *A. B.*, *C. D.*, and *E. F.*, or some or one of them, or their, or some or one of their heirs, executors, or administrators, do and shall, on the demand in writing, under the hand of any one of the public officers of the said society or co-partnership, called _____, well and truly pay or cause to be paid to the said society or co-partnership, all and every such sum and sums of money as upon the balance of any account current, which now is, or at any time or times hereafter shall be open between the said *A. B.* and the said society or co-partnership, shall or may, from time to time, be due and owing from or by the said *A. B.*, his executors, or administrators, together with all discount, interest, postage of letters, and commission, according to the usage and course of business, but nevertheless to the extent only of £ _____ principal money, exclusive of interest and costs, in case such balance shall exceed the sum; and so that the above-written bond or obligation shall, and may be, a continuing security to the said society or co-partnership to the amount of £ _____ principal money, besides such interest and costs as aforesaid, notwithstanding any settlement of account, or other matter or thing whatsoever, then the above-written bond or obligation shall be void; otherwise, the same shall remain in full force and virtue.

Signed, sealed, and delivered

in presence of _____.

The following is the form of cash credit bond used by one of the banks in Scotland. It will be seen that the latter part has a reference to the peculiar law of Scotland, and hence it is not adapted for the use of banks established in England:—

We, *A. B.*, *C. D.*, and *E. F.*, considering that the directors of the banking company, established in Edinburgh, under the title of the _____, have agreed to allow us credit upon a current account, to be kept in the name of the said *A. B.*, in the books of the said bank at its branch office in _____, or at such other office or offices of the said bank as the directors thereof may from time to time appoint, to the extent of _____ pounds sterling, upon granting these presents; therefore we, the said *A. B.*, *C. D.*, and *E. F.*, hereby bind and oblige ourselves conjointly and severally, and our heirs, executors, and successors whomsoever, to content and pay to the said _____, or to _____, the present manager of the said bank, or to his successors in office as manager, for behoof of the said bank, and the whole partners therein, or to the assignees of the said bank, or of its said manager, or his foresaid, the aforesaid sum of *five hundred* pounds, or such part or parts thereof as the said *A. B.* shall receive or draw out by orders or drafts on the said bank, in virtue of the aforesaid credit, and also such sum or sums of money as the said bank or its said manager shall stand engaged for on account of me, the said *A. B.*, by accepted or discounted bills, letters of credit, guarantees, or in any other manner of way not exceeding in all the said sum of *five hundred* pounds, over and above what of the proper cash of me, the said *A. B.*, may happen to be lodged on the said cash account; and that at any time when the same shall be demanded, after six months from the date hereof, with the legal interest thereof from the time of advance until the same be repaid, and a fifth part more of the said principal sum of penalty, in case of failure or proportionally effeiring to the sum due, and it is hereby declared, that a stated account, made out from the books of the said bank, and signed by

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the manager, secretary, or accountant thereof, for the time with reference to this present bond, shall be sufficient without any other voucher to constitute and ascertain a balance and change against us, and no suspension shall pass upon the change so constituted and ascertained, but on consignment only. And we consent to the registration hereof, in the books of council and session, for others competent, that letters of horning, on six days' change and all other necessary execution, may pass upon a decree, to be interposed hereto, in common form, and for that purpose we constitute our Procurators _____.

In witness whereof, the present written upon stamped paper by _____.

IX. — Letters of Credit,

Granted by the Bank upon its Agents or Branches.

(1.)

_____ BANKING COMPANY.

To _____

SIR,

There has this day been lodged at this office by _____ the sum of _____ for the credit of _____ whose drafts to that amount you will honor, and charge the same to the account of the _____ Banking Company.

I am, Sir,

Your obedient Servant,

£

Entered _____ Accountant.

_____ Manager.

(2.)

_____ BANKING COMPANY.

No.

To _____

(Not Transferable.)

SIR,

You will be pleased to credit _____ in the sum of _____ and charge the same to the account of the _____ Banking Company, with this branch.

I am, Sir,

Your obedient Servant,

£

Entered _____ Accountant.

_____ Manager.

(3.)

_____ BANKING COMPANY.

Messrs. _____

Paris.

_____ 18 _____

GENTLEMEN,

This letter will be presented to you by _____ to whom you will be pleased to pay to the extent of _____ deducting your charges, and taking for your reimbursement his drafts on this bank, which will meet with due honor.

I am, &c.

Banking Documents.

(4.)

Messrs. _____

New York.

This letter will be presented to you by Mr. _____, in whose favor we beg to establish a credit for _____ pounds sterling. You will please hold this sum, or any part thereof at his disposal, less your usual charges, and take in exchange his drafts upon this bank, which will be duly honored. It is understood that this credit is to be available for one year from this date, at which period, if Mr. _____ has not made use of it, you will consider it cancelled. We shall forward you, in our next letter, the signature of Mr. _____ to, which we refer.

I am, &c.

X. — Deposit Receipts.

These are receipts for money, upon which the bank allows interest. The following form may be used :

_____ BANKING COMPANY.

No. £ _____

_____ 18 _____

Received from _____ the sum of _____ sterling to the credit of his deposit account with the _____ Banking Company.

By Order of the Board of Directors.

Entered _____ Accountant. _____ Manager.

The following form is a much better one, but, unfortunately, it is illegal. According to law, we cannot introduce the rate of interest allowed, nor the notice required, unless the receipt be stamped. It may be hoped, that in the next Stamp Act, the Chancellor of the Exchequer will introduce a clause permitting the use of such receipts as the following. It is used by a highly respectable bank in one of the Midland Counties :

_____ BANKING COMPANY.

No.

_____ 18 _____

Received from _____ the sum of _____ for which we are accountable with interest at the rate of _____ per cent per annum, on receiving _____ days' notice. Interest to cease from day of notice.

For the Directors and Proprietors of the _____
_____ Banking Company.

£ _____ Manager.

No interest allowed unless the money remains three months.

XI. — Requisition Notes.

These are notes or memorandums which are used by some banks to enable their customers to state with less trouble what they require, and

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to specify the cash they pay into the bank. They are usually placed on the counter, to be ready when wanted. The following are the forms most in use :—

(1.)

REQUISITION NOTE.

To be filled up by Parties desiring Receipts for Money deposited, Letters of Credit, or Bills on _____

<p style="text-align: right;">day of _____ 18</p> <p>Wanted from the _____ Banking Company</p> <p>the Manager's _____</p> <p>in favor of _____</p> <p>for the sum of _____</p> <p style="text-align: right;">_____ Applicant.</p> <p>Entered £ _____</p>	<p style="text-align: center;">Specification of Money presented to the Cashier.</p> <table border="1" style="width: 100%; height: 100px;"> <tr><td style="width: 33%;"></td><td style="width: 33%;"></td><td style="width: 33%;"></td></tr> </table>			

(2.)

LETTER OF CREDIT.

<p style="text-align: center;">Specification of Money.</p> <table border="1" style="width: 100%;"> <tr><td style="width: 33%;">Bank of England Notes</td><td style="width: 33%;"></td><td style="width: 33%;"></td></tr> <tr><td>Gold</td><td></td><td></td></tr> <tr><td>Silver and Copper . .</td><td></td><td></td></tr> <tr><td>Local Notes</td><td></td><td></td></tr> <tr><td>Bills</td><td></td><td></td></tr> <tr><td style="text-align: right;">£</td><td></td><td></td></tr> </table>	Bank of England Notes			Gold			Silver and Copper . .			Local Notes			Bills			£			<p style="text-align: right;">_____ 18</p> <p>Wanted, the _____ Banking Company's</p> <p>Letter of Credit on _____</p> <p>in favor of _____</p> <p>for _____</p> <p style="text-align: right;">_____ Applicant.</p> <p>Entered to Credit of £ _____</p>
Bank of England Notes																			
Gold																			
Silver and Copper . .																			
Local Notes																			
Bills																			
£																			

(3.)

PAYMENT TO CREDIT OF CURRENT ACCOUNT.

<p style="text-align: center;">Specification of Money.</p> <table border="1" style="width: 100%;"> <tr><td style="width: 33%;">Bank of England Notes</td><td style="width: 33%;"></td><td style="width: 33%;"></td></tr> <tr><td>Gold</td><td></td><td></td></tr> <tr><td>Silver and Copper . .</td><td></td><td></td></tr> <tr><td>Local Notes</td><td></td><td></td></tr> <tr><td>Bills</td><td></td><td></td></tr> <tr><td style="text-align: right;">£</td><td></td><td></td></tr> </table>	Bank of England Notes			Gold			Silver and Copper . .			Local Notes			Bills			£			<p style="text-align: right;">_____ 18</p> <p>Paid to the _____ Banking</p> <p>Company, the sum of _____</p> <p>to be placed to the credit of _____</p> <p>in current account with said bank.</p> <p style="text-align: right;">By _____</p> <p>Entered in the Bank's Cash Book, £ _____ Teller.</p>
Bank of England Notes																			
Gold																			
Silver and Copper . .																			
Local Notes																			
Bills																			
£																			

(4.)

APPLICATION FOR ACCOUNT.

<p>Firm _____</p> <p>Business _____</p> <p>Residence _____</p>	<p style="font-size: 2em;">}</p>	<p style="text-align: center;">Names of Persons composing the Firm.</p> <p>_____</p> <p>_____</p>
<p>Probable return £</p> <p>Advance required £</p> <p>Security proposed</p>		
<p>Order of the Board per Minute, } dated _____ 18 _____</p>		

Banking Documents.

(5.)

BILLS DISCOUNTED

By the _____ Banking Company at _____,
to _____, on _____, 18 ____

No.	When Payable.	Postage.	When P ^{ble} .	Days.	Amount of Bill.	Discount.	Proceeds.

XII. — A Letter

Summoning a General Meeting of the Shareholders.

_____ BANKING COMPANY.

_____, 18 ____.

SIR,

I beg leave to inform you that the Annual General Meeting of the Proprietors of this Company, pursuant to the deed of settlement, will be held at twelve o'clock on _____ instant, at the _____ in this place, for the purpose of electing Directors, and for the despatch of other business.

A list of all the Proprietors qualified for the direction by holding fifty shares and upwards, is annexed.

I am, Sir,

Your obedient Servant,

_____, *Manager.*

Most large banks have also a printed form for their letters of ordinary correspondence, as the following:—

SIR,

I beg to acknowledge the receipt of your favor of the _____, inclosing sundries £ _____ and undue bills _____ £ _____ for the credit of your account. Your advices have due attention.

You are credited for the following _____ sums received.

I am, Sir,

Your most obedient Servant,

XIII. — Special Contracts.

Those joint-stock banks that are not formed under the Act of 7th Geo. IV. Cap. 46, sue and are sued in the names of their trustees.* And to enable them to do so, those parties who open accounts with the bank

* These banks obtained in 1844 the power of suing and being sued in the names of their registered public officers.

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enter into a special contract. This may be done by a letter addressed to the trustees personally, in a form similar to the following: —

To A. B., C. D., and E. F.

_____ 18____

GENTLEMEN,

You engaging that the _____ Banking Company shall pay to me whatever sums may be due to me on my current or other accounts with it, I hereby agree, as a separate contract with you, to pay to you or the survivors of you, after demand, the balance, if any, which shall at any time hereafter be due by me to the said Banking Company on those accounts or otherwise.

I am, Gentlemen,

Your obedient Servant,

XIV. — *Notices of Calls for further Payment on Shares.*

_____ BANKING COMPANY.

_____ 18____

SIR,

I beg to inform you that the Board of Directors of this Company, agreeably to the powers contained in clause No. _____ of the deed of constitution of the Company, have made a third call of £ _____ per share on each of the shares in the Company, and that the same will become payable on the _____ of _____ next.

The certificate for your share is at _____, and will be delivered to you on payment of £ _____, and in exchange for that now in your possession.

You will please to take notice, that all payments for calls must be made free of postage, and in cash, on or before the _____ of _____, otherwise they will not be received except with interest at the rate of 5 per cent. per annum from that date.

I am, Sir,

Your most obedient Servant,

_____, *Manager.*

XV. — *Certificates of Shareholders.*

_____ BANKING COMPANY.

CENTRAL BANK, _____

This is to certify that Mr. _____, of _____, is a proprietor of _____ shares in the capital stock of the _____ Banking Company, on which _____ per share has been paid. And as the proprietor thereof, he is entitled to all benefits and emoluments arising from such shares, agreeably to the deed of settlement of the company, dated the _____ day of _____, 13____.

As witness our hand this _____ day of _____, one thousand eight hundred and _____.

No. _____

_____ } *Two of the Directors*
_____ } *of the Company.*

Registered _____.

Banking Documents.

Some banks exchange the old certificates for new ones after every call; others do not grant new certificates; and some do not issue certificates at all, unless a party requests to have some evidence that he is a shareholder.

XVI. — Deed of Transfer.

This deed is executed by the buyer and seller of any shares in the bank, after the directors have given their consent to the transfer. The following is the form of this instrument:—

This Indenture, made the ____ day of _____, 18____, between _____, of _____, of the first part; _____, of _____, of the second part; and _____, of the City of _____, trustees (appointed by the board of directors of the _____ Banking Company) of the covenant hereinafter contained, of the third part.

Whereas the said _____ has become the purchaser, with the approbation of the said board of direction, of ____ share in the capital of the said company: on each of which shares the sum of _____ pounds still remains unpaid.

Now this indenture witnesseth, that in consideration of the sum of _____, at or before the sealing and delivery of these presents paid by the said _____ to the said _____, the receipt of which said sum of _____ the said _____ doth hereby acknowledge, and from the same and every part thereof doth release and for ever discharge the said _____, his heirs, executors, administrators, and assigns: the said _____ hath bargained, sold, and assigned, and by these presents doth bargain, sell, and assign unto the said _____, his executors, administrators, and assigns, all those the said shares of his, the said _____, in the capital of the _____ Banking Company, and all benefits, advantages, powers, and privileges attending the same; to have, hold, receive, and take the said shares hereby assigned, and the said benefits, advantages, powers, and privileges attending the same, unto the said _____, his executors, administrators, and assigns, for his and their own use and benefit.

And the said _____ doth hereby, for himself, his heirs, executors, and administrators, covenant, promise, and agree, with and to the said _____, and _____, their executors and administrators, that in respect of the share hereby assigned, and all and every other share and shares which the said _____ may hereafter purchase in the capital of the said company, he, the said _____, his heirs, executors, or administrators, shall and will, well and truly, in all respects, observe, perform, and keep all and singular the covenants, agreements, and provisions, contained in the deed of settlement of the said company, bearing date the ____ day of _____, 18____, so far as the same ought on his or their parts to be observed, performed, and kept.

In witness whereof, the said parties to these presents have hereunto set their hands and seals, the day and year first above-written.

Witness to the identity and signature of _____

Signed, sealed, and delivered by _____

In the presence of _____

s

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MEMORANDUM.

It is needful that this document should be completed and left at the office of the company without delay, when a certificate of the shares will be given to the purchaser, into whose name the shares cannot be placed until this regulation is complied with.

XVII. — Circular Notes, issued by the London and Westminster Bank.

LONDON AND WESTMINSTER BANK.

No. _____. LETTRE DE CREDIT CIRCULAIRE pour £ _____ Sterls.

À Messieurs, les Banquiers,
designés dans nos Lettres d'Indication.

Londres, ce _____, 18__.

MESSIEURS,

Cette lettre vous sera remise par M. _____, dont vous trouverez la signature dans notre Lettre d'Indication susdite. Je vous prie de vouloir bien lui compter sans frais quelconques, la valeur de _____ Livres Sterlins, au cours à Usance sur Londres contre sa traite ci-jointe sur cette Banque.

J'ai l'honneur d'être,

Messieurs,

Votre très obéissant Serviteur,

_____, Secrétaire.

_____, Gérant.

On the other side : —

LONDON AND WESTMINSTER BANK.

£ _____, Londres, ce _____, 18__.

A sept jour de vue préfix payez, à l'ordre de M. _____,
Livres Sterlins valeur reçue.

À _____
ce _____, 18__.

These Circular Notes are accompanied by the following Letter of Indication : —

LETTRE D'INDICATION.

LONDON AND WESTMINSTER BANK.

Londres, ce _____, 18__.

MESSIEURS,

Le porteur de cette Lettre, M. _____, pour lequel nous réclamons vos attentions, est muni de nos Billets de Change Circulaires pour son voyage. Nous vous prions de lui en fournir la valeur sur son double acquit au cours du change à usance sur notre place, et sans déductions de frais, d'après nos instructions.

Si la ville où il en touchera le montant n'a pas de change direct sur Londres, vous voudrez bien en combiner un avec la place cambiste la plus voisine.

Vous observerez que tout Agio sur espèces d'or, ou d'argent, et tous frais extraordinaires dans le cas d'un remboursement indirect, doivent être supportés par le porteur, et ne peuvent être à notre charge.

Banking Documents.

Cette Lettre devant accompagner nos Billets Circulaires doit rester dans les mains de leur porteur jusqu'à leur épuisement.

Nous avons l'honneur d'être,

Messieurs,

Vous très humble et très

obéissants Serviteurs,

_____, *Gérant.*

_____, *Secrétaire.*

<i>Villes.</i>	<i>Correspondans.</i>
Abbeville, . . .	MM. Gavelle & Cie.
Aix la Chapelle, . . .	Oeder & Cie.
Do.	Charlier & Schiebler.
Aix en Provence, . . .	Guiton Talamel.
Aleppo,	Wm. & Robt. Black & Co.
Alexandrie,	Briggs & Cie.
Amiens,	Grimaux & Codeville.
Amsterdam,	Hope & Cie.
Ancone,	G. Terni & Fils.
Anvers,	Osy & Cie.
Athènes,	F. Strong.
Augsbourg,	P. de Stettin.
Avignon,	Thomas Frères.
Avranches,	F. Hullin.
Baden Baden,	F. S. Meyer.
Do.	Augustus Klose.
Bagnères de Bigorre,	Villeneuve & Cie.
Barcelone,	Gerona, Frères Clavé, & Cie.
Barèges,	Villeneuve & Co.
Basle,	Vischer & Fils.
Bayonne,	Capt. Graham.
Beirut,	Wm. & Robt. Black & Co.
Bergen,	A. Grieg & Fils.
Berlin,	Les Frères Schickler.
Berne,	Mareuard & Cie.
Besançon,	Jacquard & Cie.
Blois,	A. Bruère.
Bologne en Italie,	F. Perotti.
Bonn,	Jonas Cahn.
Bordeaux,	Barton & Guestier.
Boulogne S/M,	Alexandre Adam & Cie.
Bremen,	H. Schroder Fils.
Breslaw,	Eichhorn & Cie.
Bruges,	F. Du Jardin.
Brunswick,	Frères Lobbecke & Cie.
Brûnn,	J. Herring.
Bruxelles,	F. Bruggmann & Fils.
Cadiz,	Lonergan Frères & Cie.
Caen,	E. Guilbert & Cie.
Cairo,	Briggs & Cie.
Calais,	P. Devôt & Cie.
Cambray,	N. Boniface & Fils.
Carlsbad,	B. Gottl & Fils.

<i>Villes.</i>	<i>Correspondans.</i>
Carlsruhe, . . .	MM. Augustus Klose.
Cassel (Hesse), . . .	L. Feidel.
Cette,	F. Durand & Fils.
Chambery,	Ve. Python & Genoud Fils, ainé.
Cherbourg,	Mauger Frères.
Civita Vecchia,	John Thomas Lowe, jun.
Coblentz,	F. H. Kehrman.
Cobourg,	Schraidt & Cie.
Cologne,	J. D. Herstatt.
Constance,	Macaire & Cie.
Constantinople,	Chas. S. Hanson & Cie.
Copenhagen,	Frolich & Cie.
Corfu,	J. Courage.
Damascus,	G. H. Gibb & Cie.
Dantzic,	Gibson & Cie.
Darmstadt,	J. A. Zoeppritz.
Dieppe,	Quenouille ainé.
Dijon,	Drevon & Marion.
Dresde,	M. Kaskel.
Dunkirk,	Charles Carlier.
Dusseldorf,	G. Cleff.
Elberfeld,	Vonder Heydt Kersten & Fils.
Elseneur,	N. & C. Fenwick.
Emms,	Deinhard & Jordan.
Florence,	Plowden & French.
Frankfort S/M,	Gogel, Koch & Cie.
Do.	M. A. de Rothschild & Sons.
Gand,	Bank of Flanders.
Gènes,	Gibbs & Co.
Genève,	Lombard, Odier & Cie.
Gibraltar,	Archbold & Cie.
Gottingen,	L. & P. Benfey.
Grafenburg,	Arnstein & Eskeles.
Hague,	Scheurleer & Fils.
Hambourg,	S. Heine.
Hanovre,	L. & A. H. Cohen.
Havre,	— Dubois & Cie.
Do.	Etienne Troteux.
Heidelberg,	C. A. Fries.
Inspruck,	Louis J. Mayer.
Interlachen,	Isidor Jackowski.
Jerusalem,	W. T. Young.
Kissingen,	Frères Bolzano.

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Villes.	Correspondans.
Königsberg,	MM. C. L. Andersch.
Lausanne,	Chas. Bagnion.
Leipzig,	M. Kaskel.
Do,	Frère & Cie.
Liège,	M. J. Vercour & Cie.
Lille,	Rouzé Mathon.
Linz,	{ J. M. Scheibenpogen Eidam.
Lisbonne,	H. G. Scholtz.
Livourne,	W. Machean & Cie.
Luhc,	Frères Muller.
Lucerne,	F. Knoerr & Fils.
Lucques,	F. Petri.
Do. Bains de	Plowden & French.
Lyons,	Ve. Guerin & Fils.
Madeira,	{ Murdock, Shortridge, & Cie.
Madrid,	H. O. Shea & Cie.
Malaga,	John Giro.
Malta,	Jas. Bell & Cie.
Manheim,	J. G. Reinhardt.
Marienbad,	Bernard Gottl.
Marseilles,	{ Salavay, Perc, Fils, & Cie.
Mayence,	Fred. Korn.
Memel,	
Messina,	Cailler & Cie.
Metz,	
Milan,	{ Carli di Tommaso & Cie.
Montpellier,	F. Durand & Fils.
Moscow,	J. L. Burckhardt.
Munich,	A. E. D'Eichthal.
Nancy,	Elie Baille.
Nantes,	P. Ciret & Cie.
Naples,	W. J. Turner & Co.
Do. . . .	{ C. M. de Rothschild & Sons.
Neufchatel,	F. Henri Nicolas.
New York,	J. G. King & Sons.
Nice,	E. Carlone & Cie.
Nismes,	{ Vincens Devillas & Cie.
Nuremberg,	Leonard Kalb.
Odessa,	E. Mahs & Cie.
Oporto,	Burmester & Co.
Orleans,	Daquet aîné & Cie.
Ostend,	F. A. Belleruche.
Palermo,	G. Wood & Cie.
Paris,	Callaghan & Fils.
Do. . . .	{ De Rothschild Frères.
Parma,	L. Laurent.

Villes.	Correspondans.
Pau,	MM. Merillon aîné,
Perpignan,	F. Durand.
Pesth,	C. J. Malvieux.
Pisa,	F. Peverada.
Prague,	C. A. Feidler & Fils.
Presbourg,	Arnstein & Eskeles.
Rastadt,	F. S. Meyer.
Ratisbonne,	G. W. Henle
Rennes,	C. Le Ray.
Rheims,	Ruinart, Père & Fils.
Riga,	
Rome,	Torlonia & Cie.
Do. . . .	{ Plowden, Cholmeley, & Co.
Rouen,	J. Faucon.
Rotterdam,	{ D. & C. Blanken- heyn.
Salzbourg,	— Spath, jne.
Schaffhouse,	Frey & Fils.
Schwabach,	M. Berle.
Seville,	Cahill, White & Cie.
Smyrna,	Lee & Fils.
St. Gall,	J. J. Meyer Fils.
St. Malo,	P. Fontan.
St. Omer,	A. Caffieri.
St. Petersburg,	{ Cayley, Moberly & Cie.
Spa,	J. F. Hayémal.
Stockholm,	Tottie & Arfwedson.
Stuttgart,	{ Les Fils de G. H. Keller.
Strasbourg,	{ Renouard de Bus- sière.
Tarbes,	Villeneuve & Cie.
Toplitz,	Emanuel Mayér.
Toulon,	
Toulouse,	J. Cassaing & Co.
Tours,	Gouin Frères.
Treves,	Reverchon & Cie.
Trieste,	J. Collioud.
Turin,	Nigra Frères.
Valenciennes,	G. Serret & Cie.
Venice,	Schielin Frères.
Verona,	J. Smania.
Vevey,	P. Genton & Cie.
Vienne,	Arnstein & Eskeles.
Utrecht,	Vlaer & Kol.
Warsaw,	S. A. Fraenkel.
Weimer,	J. Elkan.
Wiesbaden,	M. Berle.
Wurzbourg,	G. Oehninger.
Zurich,	{ Gaspard Schulthéas & Co.

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XVIII. — A Table, showing the Relative Value of Gold in London (at the Mint Price of £ 3 17s. 10½d. per Ounce Standard), and in the Cities of

PARIS.					HAMBURGH.					AMSTERDAM.				
Premium, Per mille.	Fcs. Cts.	Cents. In the £.	Per cent.	Price per marc fine. Marcs.	Mcs. Sch.	Sch. In the £.	Per cent.	Premium, Per cent.	Flor. Cts.	Cents.	Per cent.	Premium, Per cent.	Flor. Cts.	Cents.
0	25 14½	½	·01	430	13	7½	·06	13	11	93½	½	·02		
1	15½	½	·02				·11			94½	½	·04		
1½	17	½	·03				·17			96	½	·06		
2	18½	1	·04				·23			97½	1	·08		
2½	19½	2	·05	431	13	8	·29			98½	2	·10		
3	20½	3	·06				·34			99½	3	·12		
3½	22	4	·07				·40			01½	4	·14		
4	23	5	·08				·46			02½	5	·16		
4½	24½	6	·09	432			·52			04	6	·18		
5	25½	7	·10				·58			05½	7	·20		
5½	27	8	·11				·64			06½	8	·22		
6	28½	9	·12				·70			08	9	·24		
6½	29½	10	·13	433	13	9	·76			09½	10	·26		
7	30½	11	·14							10½	11	·28		
7½	32	12	·15							12	12	·30		
8	33½	13	·16							13½	13	·32		
8½	34½	14	·17	434						14½	14	·34		
9	36	15	·18							16	15	·36		
9½	37½	16	·19							17½	16	·38		
10	38½	17	·20							18½	17	·40		
10½	39½	18	·21	435	13	10				20	18	·42		
11	41	19	·22							21½	19	·44		
11½	42½	20	·23							22½	20	·46		
12	43½	21	·24							23½	21	·48		
12½	44½	22	·25	436						25½	22	·50		
13	46	23	·26								23	·52		
13½	47½	24	·27								24	·54		
14	48½	25	·28								25	·56		
14½	49½	26	·29	437	13	11					26	·58		
15	51	27	·30								27	·60		
15½	52½	28	·31								28	·62		
16	53½	29	·32								29	·64		
16½	54½	30	·33	438							30	·66		
17	56	31	·34											
17½	57½	32	·35											
18	58½	33	·36											
18½	59½	34	·37	439	13	12								
19	61	35	·38											
19½	62½	36	·39											
20	63½	37	·40											
20½	64½	38	·41	440										
21	66	39	·42											
21½	67½	40	·43											
22	68½													
22½	69½													
23	71													
23½	72½													
24	73½													
24½	74½													
25	76													
	77½													

METHOD OF USE.—(For example, take Paris.)—Ascertain the premium on gold at Paris—say 9 per mille; in the left-hand column, against 9, will be found the rate of exchange per pound sterling produced francs 25·37½. From that rate, deduct the exchange on London at short—say francs 25·27½, leaving a remainder of 9½ centimes per pound sterling. In the second column, it will be found that 9½ centimes in the pound sterling are equal to ·39 per cent.; consequently, gold is ·39 per cent. dearer in Paris than in London.

NOTE.—If the rate of exchange produced by gold in Paris be lower than the exchange at short on London, gold will be dearer in London than in Paris.

PRUSSIAN COIN.—Thaler, Silbergrossch, and Pfenning. 1 thaler = 30 silbgr.; 1 silb. = 12 pfennings.

FRANKFORT.—Gulders, Kréutzers, and Hellers. 1 gulder = 60 kreutz.; 1 kreutz = 4 hell.

DUTCH.—Gulders and Cents. 1 guild. = 100 cents.

BELGIUM AND FRANCE.—Francs and Centimes. 1 franc = 100 centimes.

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XIX. — A Table of English Money* reduced into

£	s.	d.	PRUSSIAN COIN. At 6 li. 20 ag.			FRANKFORT COIN. 11 gul. 54 kr.			DUTCH COIN. 12 guild.		FRENCH COIN. 25 fr. 10 cts.	
			Tha.	Sg.	Pf.	Gul.	Kr.	Ha.	Gld.	Cts.	Fr.	Cts.
...	...	1	...	...	10	...	3	...	...	05	...	10
...	...	2	...	1	8	...	6	...	...	10	...	20
...	...	3	...	2	6	...	9	...	...	15	...	31
...	...	6	...	5	...	...	17	...	...	30	...	62
...	1	...	...	10	...	...	35	...	...	60	1	25
...	2	...	...	20	...	1	11	...	1	20	2	51
...	3	...	1	...	...	1	47	...	1	80	3	76
...	4	...	1	10	...	2	22	...	2	40	5	02
...	5	...	1	20	...	2	58	...	3	...	6	27
...	10	...	3	10	...	5	57	...	6	...	12	55
...	15	...	5	...	...	8	55	...	9	...	18	82
1	...	...	6	20	...	11	54	...	12	...	25	10
2	...	...	13	10	...	23	48	...	24	...	50	20
3	...	...	20	...	...	35	42	...	36	...	75	30
4	...	...	26	20	...	47	36	...	48	...	100	40
5	...	...	33	10	...	59	30	...	60	...	125	50
6	...	...	40	...	...	71	24	...	72	...	150	60
7	...	...	46	20	...	83	18	...	84	...	175	70
8	...	...	53	10	...	95	12	...	96	...	200	80
9	...	...	60	...	...	107	06	...	108	...	225	90
10	...	...	66	20	...	119	...	...	120	...	251	...
20	...	...	133	10	...	238	...	...	240	...	502	...
30	...	...	200	...	...	357	...	...	360	...	753	...
40	...	...	266	20	...	476	...	...	480	...	1004	...
50	...	...	333	10	...	595	...	...	600	...	1255	...
60	...	...	400	...	...	714	...	...	720	...	1506	...
70	...	...	466	20	...	833	...	...	840	...	1757	...
80	...	...	533	10	...	952	...	...	960	...	2008	...

Value at which the following Coins are generally current.

	PRUSSIA.		FRANKFORT.		HOLLAND.		BELGIUM AND FRANCE.
	Th.	Sg.	Gul.	Kr.	Gul.	Cent.	Fr. Cent.
Sovereign,	6	20	11	50	12	...	25
English Shilling, . . . . .	...	10	...	35	...	58	1 20
Dutch 10-guilder piece,	5	20	9	54	10	...	21 16
Ducat,	3	4	5	30	5	60	11 60
Guilder, . . . . .	...	17	...	58	1	...	2 11
Fred. d'Or,	5	20	9	44	9	80	21
Prussian Thaler,	1	...	1	45	1	70	3 70
French Crown Thaler,	1	16	2	44	...	...	...
Brabant do.	1	16	2	42	2	65	...
Convention do.	1	10	2	24	...	...	...
Piece of 20 Krentzers, . . . . .	...	6	...	24	...	...	...
20-franc Piece,	5	12	9	30	9	54	20
5-franc do.,	1	10	2	20	2	35	5
1-franc do., . . . . .	...	8	...	28	...	48	1

The above table has been circulated by the General Steam Navigation Company. On this subject I would refer to Mr. Waterston's "*Manual of Commerce: being a Compendium of Mercantile Tables, British and*

* For an account of the Silver and Gold Coins of different Countries, and their Sterling Value, see the New London Mercantile Directory, for 1849.

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Foreign Moneys, Weights, and Measures, and the Theory and Practice of Exchange." (Simpkin, Marshall & Co., publishers.) We think also this is a proper place to introduce the following account of the origin of English Coins:—

POUND.—Though a pound is one of the most common denominations for money, it never was a real coin, either in gold or silver, in any age or country. Such large and ponderous coins would have been in many respects inconvenient. But for many ages, both in Britain and in other countries, that number of small coins which was denominated a pound in computation, or a pound in sale, really contained a pound of silver, and they might have been and frequently were weighed, as well as numbered, to ascertain their value. If the number of coins that were denominated a pound in sale, did not actually make a pound in weight, an additional number of coins were thrown in to make up the weight.

MONEY was coined in the Temple of Juno *Moneta*, whence our English word *money*.

COIN.—Coin (*cuna, pecunia*) seems to come from the French *coign*, that is, angulus, 'a corner'; whence it has been held that the ancientest sort of coin was square with corners, and not round as it now is.

CASH.—*Cash* in a commercial style signifying the ready money which a merchant or other person has at his present disposal, and is so called from the French term *caisse*, that is, 'chest or coffer,' for the keeping of money.

GUINEA.—This coin took its denomination *Guinea*, because the gold whereof the first was struck was brought from that part of Africa so called; for which reason it likewise formerly bore the impression of an elephant.

"The value or rate of the guinea has varied. It was first struck on the footing of 20s.; but, by the scarcity of gold, was afterwards advanced to 21s. 6d., and again sunk to 21s.

ANGEL.—The *angel*, called in the French *angelot*, was a gold coin, value 10s., struck in England, where some few are still to be seen in the cabinets of the curious. It had its name from the figure of an angel represented on it; which figure was adopted, according to Rapin and others, to commemorate a pun of Pope Gregory the Great, which seems to have greatly flattered the vanity of the nation. Struck with the fair complexions and blooming countenances of some Anglo-Saxon captives who had been brought to Rome, he inquired of what nation they were, and what they were called, and being answered *Angles*, 'Justly be they so called,' quoth he, 'for they have angel-like faces, and seem meet to be made co-heirs with the angels in heaven.'

SHILLING.—The etymology of the word *scylling* would lead us to suppose it to have been a certain quantity of uncoined silver; for whether we derive it from *peylan*, 'to divide,' or *pceale*, 'a scale,' the idea presented to us by either word is the same; that is, so much silver cut off, as in China, and weighing so much.

"There were none coined till 1504. Fabian mentions them under their proper names, 34 Henry the Eighth.

A TESTER.—*Tester* is derived from the French word *tête*, 'a head'; a piece of money stamped with a head, which in old French was called '*un testion*,' and which was about the value of an old English sixpence. '*Tester*' is used by Shakspeare.

Tester, sixpence, from *teston*, French, an old silver coin, formerly worth 12d., sinking by degrees to gilt brass, and sixpence.

GROAT.—Other nations, as the Dutch, Polanders, Saxons, Bohemians, French, &c., have likewise the *groats*, *groots*, *groches*, *gros*, &c. In the Saxon times no silver

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coin bigger than a penny was struck in England, nor after the Conquest until Edward the Third, who, about the year 1351, coined *grosses*, that is, *groats*, or *great pieces*, which went for 4*d*; and so the matter stood till the reign of Henry the Eighth, who, in 1504, first coined shillings.

"PENNY, HALFPENNY, FARTHING. — Camden derives the word 'penny' from the Latin *pecunia*, 'money.'

"The ancient English *penny*, *penig*, or *pening*, was the first silver coin struck in England; nay, and the only one current among our Saxon ancestors; as is agreed by Camden, Spelman, Dr. Hicks, &c.

"The penny was equal in weight to our three-pence; five of them made one shilling, or scilling, Saxon; thirty, a mark, or maneuse, equal to our 7*s*. 6*d*.

"Until the time of King Edward the First, the penny was struck with a cross so deeply indented in it, that it might be easily broke, and parted, on occasion, into two parts, thence called *half-pennies*; or into four, thence called *fourthings*, or *farthings*. But that prince coined it without indenture; in lieu of which, he first struck round halfpence and farthings.

"He also reduced the weight of a penny to a standard; ordering that it should weigh thirty-two grains of wheat, taken out of the middle of the ear. This penny was called the *penny sterling*. Twenty of these pence were to weigh an ounce; whence the penny became a weight, as well as a coin.

"The penny sterling is now used less as a coin, and subsists chiefly as a money of account, containing the 12th part of a shilling, or the 240th part of a pound." (From *Notes of a Bookworm*.)

XX. — Form of Bond of the Guarantee Society.

Public Companies' Form.

£ _____

AGREEMENT, }
No. _____ }

GUARANTEE SOCIETY.

ARTICLES OF AGREEMENT made and entered into the _____ day of _____, in the year of our Lord one thousand eight hundred and _____, between the three directors of the Guarantee Society, whose names are hereunto subscribed, on the part and behalf of the said Society of the first part, and _____ of the second part.

Preamble. Whereas the said parties hereto of the second part have applied to the said Guarantee Society for a guarantee to the extent of _____ pounds, against any loss to be sustained by the said _____, by or through any fraud or dishonesty of _____, of _____, while employed by the said _____ in the capacity of _____. And the said society have agreed to enter into such Guarantee accordingly, on the terms and subject to the provisions and conditions herein contained and hereunder written.

Consideration. Now these presents witness, that in consideration of the premises, and of the sum of _____ paid on behalf of the said _____, as a premium for such guarantee from the _____ day _____ until the _____ day of _____, one thousand eight hundred and forty-_____,

Guarantee. both inclusive, being one year and part of another year: It is hereby agreed and declared, that from the said _____ day of _____ to the last day of _____, and thence for one year, namely, to the last day of

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_____, one thousand eight hundred and forty-_____, inclusive, and for every successive term of twelve calendar months for and in respect of which the premium of _____ shall be paid to the said society, and the said society shall agree to accept the same (such payment to be made on the last day of _____ in each year, or within fifteen days thereafter, at the office of the Guarantee Society) during the service of the said _____ in the capacity aforesaid, the funds and property of the said society shall, on the terms and subject to the provisions and conditions herein contained and hereunder written, which are to be taken as part of this agreement, and subject also to the provisions of the deed of settlement of the said society, be liable to pay and satisfy unto the said _____, at the expiration of three calendar months after satisfactory proofs and full particulars of the loss, and of the nature and extent thereof (verified, if the said society shall so require, by declaration under the statute of 5 and 6 Wm. IV. c. 62) shall have been received at the office of the said society. All such loss, not exceeding _____ pounds, (provided such loss shall have happened within eighteen calendar months next preceeding the receipt of such proofs and particulars,) as the said _____ may sustain from any fraud or dishonesty of the said _____, to be committed after the said _____ day of _____, and during his uninterrupted continuance in the said service in the capacity aforesaid. Provided always that the said _____ shall within ten days after the discovery of Notice of fraud to be given within ten days. any matter in respect of which any claim may be intended to be made, give notice, in writing, at the office of the Guarantee Society, of such intended claim, and, as far as the case will admit, of all the particulars thereof; and from and after such discovery, the guarantee herein contained shall, as to loss by any act of fraud or dishonesty subsequent to such discovery, be at an end: Provided, also, Security now given to be the funds and property of the society, after discharge of prior claims. and it is hereby agreed, that the funds and property of the said society for the time being remaining undisposed of, and inapplicable to prior claims and demands, according to the provisions of the said deed of settlement, shall alone be subject to any claim in respect hereof, and that neither any director executing these presents, nor any proprietor or holder of shares in the capital of the said society, shall be individually liable in respect of any such claim, or under this agreement, beyond so much of the amount of the shares then held by him or her in the said capital, and not subject to prior claims and demands, as shall not for the time being have been paid up. Provided, also, Society to have power to prosecute. and it is hereby agreed and declared, that the said _____ shall, in case of making any such claim in writing as aforesaid, forthwith, upon being required by the said society, when lawful, arrest the said _____ for any offence or offences that he may have committed, in respect of which such claim shall have arisen, and personally appear upon any examination or examinations of the said _____, and at his trial; and in that case the said society shall be at liberty, at their own costs and charges, to carry on any prosecution or prosecutions for such offence or offences, and to commence and carry on, in such name or names as they may be advised, and for their own benefit, any actions, suits, or other proceedings against the said _____, for the recovery of any moneys or chattels lost by his fraud or dishonesty, or for damages in respect thereof, _____ being hereby indemnified against all costs, charges, damages, and expenses in respect of such prosecutions or other proceedings. And it is further agreed and declared, that when any such loss shall have been satisfied by or on behalf of the said society, an indorsement in satisfaction of all claims shall be made hereon, and signed Any payment on account of fraud or dishonesty to be indorsed here-

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on, and these presents given up to the society. by the person or persons to whom the amount of such loss shall be paid or satisfied, and thereupon these presents shall be given up to and for the benefit of the said society, to be of no further force or effect against them. In witness whereof, the said parties hereto have hereunto subscribed their names the day and year first above written.

Witness to the signatures of the three Directors. {

Witness to the signatures of above-named {

CONDITIONS OF INSURANCE.

In the event of any loss for which the society shall be liable, such loss shall be borne by the society, ratably only, and in common with any other person or persons who have already, or shall hereafter during the continuance of this guarantee, become security for the said _____ in the service or employment above mentioned, according to the amount for which each shall be guaranteee.

The above agreement is subject to the condition that the answers which have been given and signed by the said _____ and by the said _____ to the questions lettered from A to I, both inclusive, submitted by the society, and contained in a paper called "Form of Proposal for Guarantee," and dated _____ are in all respects true and correct, otherwise the said agreement to be void.

That no premium shall be returned under any circumstances after the signing of the above agreement.

Examined and registered _____

XXI. — *Provident Clerks' Benevolent Fund.*

RULES AND REGULATIONS.

1. *Title.* — That this branch of the association be called "The Provident Clerks' Benevolent Fund," in connection with "The Provident Clerks' Mutual Benefit Association."

2. *Object.* — That the object of this branch of the association is to provide funds, by donations, subscriptions, bequests, or otherwise, for the purpose of granting temporary or permanent relief to distressed clerks, who are or have been members, their widows and families.

3. *Members.* — That the following persons shall be members of this branch of the association, and be entitled to vote at all general meetings of this branch of the association, viz.: —

First, — Members of the Benefit Department who were admitted as clerks on joining the association.

Second, — Clerks employed in any public or private establishment within Great Britain, who subscribe to this fund not less than one guinea annually, or have given a donation of not less than ten guineas.

4. *Honorary Members or Subscribers.* — That persons (not being clerks) may become honorary members, by a donation of not less than ten guineas, or an annual subscrip-

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tion of not less than one guinea, and be entitled to vote at elections for annuitants in proportion to the amount of their donations or subscriptions, according to Rule No 21.

5. *Management.* — That this branch of the association shall be conducted by the same board of management as the benefit department.

6. *Treasurer.* — That John Abel Smith, Esq., M. P., is the treasurer, and, by virtue of his office, is also a member of the board of management. In the event of death or resignation, the office of treasurer to be filled up by the board.

7. *Trustees.* — That there shall not be less than four trustees, and the funds of this association shall be invested in the names of two or more of the trustees for the time being. The present trustees are, —

Thomas Baring, Esq.

Thomson Hankey, jun., Esq.

William George Prescott, Esq.

Baron Lionel de Rothschild, M. P.

And in case of death or resignation, vacancies to be filled up by the board, subject to the approval of the surviving trustees; the said trustees, by virtue of their office, to be members of the board of management.

8. *Auditors.* — That the following gentlemen be the auditors of this branch of the association, viz.: —

John Beadnell, Esq.

James William Gilbart, Esq., F. R. S.

Sir John Pirie, Bart., Ald.

George Pollard, Esq.

William Smee, Esq.

any two being competent to act, who shall audit the annual accounts, to be laid before the members at the annual general meeting. Vacancies to be filled up by the board.

9. *Officers.* — That the board may appoint such officers to this branch of the association as may be deemed necessary, with power to remove them and to appoint others, and to fix the amount of their respective salaries or remuneration: the officers to give such security as the board shall require.

10. *Expenses.* — That all expenses shall be equitably divided between the benefit department of this branch of the association; and the proportion to be borne by each shall be settled by the board, previously to making up the annual account.

11. *Special Meeting of the Board of Management.* — That a special meeting of the board may be convened on any emergency by a requisition to the chairman, signed by five members thereof; the requisition to state the object of such special meeting; and the chairman shall call such meeting within one week of receiving the requisition.

12. *Annual General Meeting.* — That an annual general meeting of the members of this branch of the association be held in February in each year, on such day as the board may appoint, when the annual report of the state of the funds, together with the account of the receipts and expenditure of the past year, shall be laid before the meeting. In case of any questions being submitted to the decision of such meeting, the same to be decided by a majority of votes.

13. *Special Meeting of Members.* — That a special meeting of members may be convened by a requisition to the chairman, signed by thirty members at the least; the requisition to state the object of such special meeting; and the chairman shall call such meeting within one month of receiving the requisition.

14. *Permanent Fund.* — That the sum of £10,000 3 per cent stock, now invested, or

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its equivalent, shall constitute the permanent fund of this branch of the association, and shall on no account be reduced below that amount.

That the board may apply the interest of the invested fund, together with such proportion of the annual subscriptions as they may deem fit (after payment of the expenses), to the objects of the association.

That the farther increase of the permanent fund shall be at the discretion of the board, except that the amount of all bequests, together with the proportion of the profits to be received from the benefit department every five years, shall be always added to the invested capital.

15. *Casualty Fund.* — That the board be empowered to apportion such part of the available income of this branch of the association as may be deemed expedient, as a casualty fund, from which to grant temporary relief as hereafter mentioned.

16. *Relief.* — That no member, his widow or family, be eligible for permanent relief until he has belonged to the association for three years, unless by the sanction of the annual general meeting.

17. *Temporary Relief.* — That temporary relief may be granted from the casualty fund to distressed clerks, who are or have been members, their widows, or families, — regard being had in all cases to the number in family, and the length of time the party may have been a member of the association, — as follows : —

First, — By loans, on the security of two responsible persons, or other sufficient security, of sums not exceeding £ 10 at one time, *without interest*, or of sums above £ 10 and not exceeding £ 25 with interest, to be repaid by quarterly instalments, within two years.

Secondly, — By gratuities of sums, not exceeding £ 10 at one time, in cases of long and expensive illness, or other serious calamity, together with medical assistance, at the discretion of the board.

Thirdly, — By weekly allowances of sums not exceeding at the rate of 20 guineas per annum, nor for a longer period at any one time than six months.

Fourthly, — By weekly allowances to orphan children of deceased members, under fourteen years of age (both parents being dead), the amount to be fixed by the board according to the emergency of the case, but in no instance to exceed 20 guineas to one family; and such allowance, or a proportion of it, to cease as the children respectively attain the age of fourteen years.

That should any member of the benefit department, who was a clerk at the time of his entrance, and has regularly paid his premium for five years at the least, be unable, from distress or otherwise, to continue his payments, the board may have the power, in their discretion, to continue the payment of his premiums from the casualty fund, by way of loan to such members, upon such security as the board may deem fit; the policy being deposited with the association, and any bonus declared upon such policy being first applied to the repayment of the loan.

18. *Permanent Relief.* — That permanent relief be granted by way of annuity, to distressed clerks, who are or have been members of this branch of the association, and who from old age, blindness, or other infirmities, are rendered incapable of obtaining their living.

That the annuitants shall be elected by ballot, as appointed by the subsequent rules, and the annuities be on the following scale, viz. : —

If been a member 3 to 10 years, . . .	£ 25 per annum.
“ “ 10 to 20 years, . . .	30 “
“ “ 20 years and upwards, . . .	35 “

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That annuities be granted to widows of members who are incapable of obtaining their living, on the following scale, viz.:—

If husband been a member	3 to 10 years,	£15 per annum.
"	" 10 to 20 years,	20 "
"	" 20 years and upwards,	25 "

but such annuities to cease, should such widow marry again.

That all annuities be paid quarterly.

That the board have power to increase or decrease, proportionately, the above scales of annuities, according to the amount of funds at their disposal, and such increase or diminution to apply equally to all annuities already granted.

That should it come to the knowledge of the board that any annuitant has been elected by fraud, or has assigned his or her annuity, or, finally, that his or her means of living has improved, so as not to require the aid of the association, the board shall have the power to suspend the payment of such annuity, or to reduce the same as they may consider fit.

19. *Applications for Relief.*—That applications for either temporary or permanent relief, be made according to such forms as the board may require; and every applicant must be recommended by two respectable parties, who are acquainted with the case; that applicants for annuities must send in their testimonials and other documents at least two months previous to the election; and any wilful misrepresentation will invalidate the election of such annuitant.

That the board shall take into its consideration the cases of the various applicants, and, where practicable, make personal inquiries into the truth of their statements, and select such as, in their judgment, are eligible to be balloted for, as well as those deserving of casual relief.

20. *Elections.*—That the election of annuitants shall take place once a year, or oftener, at the discretion of the board, and at such times as they may appoint.

That notice shall be given by public advertisement or otherwise, of the number of annuitants to be elected; and balloting papers be issued for that purpose, with a list of the candidates.

21. *Voting.*—That all members, defined by the first section of the third rule, whose premiums are duly paid, shall be entitled to one vote for each annuitant to be elected; and that all members or subscribers who have given a donation of ten guineas, or a subscription of one guinea, to this branch (payable annually or half-yearly), be entitled to one vote for each annuitant to be elected, and an additional vote for every additional donation of ten guineas, or annual subscription of one guinea. That all subscriptions in arrears must be paid up before the party be entitled to vote.

That clerks, being members of the Benefit Department, as well as subscribers or donors to the Benevolent Fund, be entitled to vote in respect of both qualifications.

That members and subscribers may give all their votes to any one candidate, or divide them as they please, according to the number to be elected; they may vote by proxy, the polling paper being first signed by them.

That in the event of an equality of votes for any two candidates, the chairman to give the casting vote; and should any dispute arise as to the election of any candidate, a scrutiny may be demanded on behalf of such candidate, provided a requisition, signed by six members or subscribers at the least, be addressed to the chairman, demanding such scrutiny, and agreeing to pay the expenses of the same.

22. *Alteration of Rules.*—That none of the foregoing rules be altered, amended, or repealed, unless at a special meeting of the board of management, convened for that purpose, who, being so assembled, shall have power to alter, amend, or repeal any of

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the rules, and substitute new ones in lieu thereof; but such alterations, amendment, or repeal of rules, or substitution of new ones, shall not take effect unless they have received the sanction of the annual general meeting, or of a special general meeting, convened for the purpose.

23. *Situation Book.* — That a book shall be kept, to be called "The Situation Book," in which the members who are out of employment may enter their names, particulars of their former employment, and the nature of that which they are now seeking. This book to be open for the gratuitous inspection of merchants, bankers, and others requiring clerks.

24. *Form of Bequest.* — "I give and bequeathe unto the treasurer, for the time being, of the 'Provident Clerks' Mutual Benefit Association,' in trust for the purposes of the Benevolent Fund of that Association, the sum of £———, to be paid within ——— months next after my decease, out of such part of my personal estate as may lawfully be bequeathed and appropriated to charitable purposes.

XXII. — *St. Clement Danes Savings' Bank Government Annuity Institution.*

Office, 18, Serle's Place, two doors from Carey Street, Lincoln's Inn, London.

The following is the Government Table, and shows the sum required to be paid for an Immediate Annuity of Twenty Pounds, and in proportion for any sum not less than 4*l.* nor exceeding 30*l.* per annum: —

AGE.				AGE.			
£ s. d.				£ s. d.			
If 15 and under 16	377	15	6	If 48 and under 49	271	0	4
16 " 17	374	4	1	49 " 50	265	1	4
17 " 18	370	16	7	50 " 51	259	0	4
18 " 19	367	14	6	51 " 52	252	18	11
19 " 20	364	19	11	52 " 53	247	1	8
20 " 21	362	12	2	53 " 54	241	5	11
21 " 22	360	10	5	54 " 55	235	12	7
22 " 23	359	0	4	55 " 56	230	1	5
23 " 24	357	12	6	56 " 57	224	11	8
24 " 25	356	4	7	57 " 58	219	3	8
25 " 26	354	15	3	58 " 59	213	15	9
26 " 27	353	3	0	59 " 60	208	6	2
27 " 28	351	1	8	60 " 61	202	14	4
28 " 29	348	17	1	61 " 62	196	17	5
29 " 30	346	9	5	62 " 63	190	14	11
30 " 31	343	18	10	63 " 64	184	8	0
31 " 32	341	5	5	64 " 65	178	1	0
32 " 33	338	9	5	65 " 66	171	14	2
33 " 34	335	9	11	66 " 67	165	7	5
34 " 35	332	6	9	67 " 68	159	9	1
35 " 36	328	19	11	68 " 69	153	12	0
36 " 37	325	9	11	69 " 70	147	16	2
37 " 38	321	17	7	70 " 71	142	2	6
38 " 39	318	2	11	71 " 72	136	11	9
39 " 40	314	6	7	72 " 73	131	3	7
40 " 41	310	7	9	73 " 74	125	14	8
41 " 42	306	5	10	74 " 75	120	1	5
42 " 43	301	18	6	75 " 76	114	4	7
43 " 44	297	7	10	76 " 77	108	4	3
44 " 45	292	12	6	77 " 78	101	7	5
45 " 46	287	12	6	78 " 79	94	11	10
46 " 47	282	7	10	79 " 80	88	1	10
47 " 48	276	16	0	80 or any greater age	81	14	10

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XXIII. — *Comparative View of the Expectation of Life according to the different Tables of Mortality.*

Age.	North- ampton.	Carlisle.	Government Male.	Annuitants. Female.	Age.	North- ampton.	Carlisle.	Government Male.	Annuitants. Female.
0	25.18	38.72	50.16	55.51	40	23.08	27.61	27.02	31.12
1	32.74	44.68	50.13	55.59	41	22.56	26.97	26.39	30.46
5	40.84	51.25	48.93	54.23	42	22.04	26.34	25.74	29.81
10	39.78	48.82	45.57	51.05	43	21.54	25.71	25.08	29.14
15	36.51	45.00	41.76	47.19	44	21.03	25.09	24.42	28.48
20	33.43	41.46	38.39	43.99	45	20.52	24.46	23.75	27.81
25	30.85	37.86	35.90	40.81	50	17.99	21.11	20.30	24.35
30	28.27	34.34	33.17	37.57	55	15.58	17.58	17.15	20.79
31	27.76	33.68	32.59	36.91	60	13.21	14.34	14.39	17.32
32	27.24	33.03	32.00	36.26	65	10.88	11.79	11.63	14.00
33	26.72	32.36	31.40	35.61	70	8.60	9.18	9.22	10.99
34	26.20	31.68	30.79	34.96	75	6.54	7.01	7.12	8.46
35	25.68	31.00	30.17	34.31	80	4.75	5.51	4.94	6.50
36	25.16	30.32	29.54	33.68	85	3.37	4.12	3.12	4.84
37	24.64	29.64	28.91	33.04	90	2.41	3.28	1.95	2.83
38	24.12	28.96	28.28	32.40	95	0.75	3.53	1.18	1.55
39	23.60	28.28	27.65	31.76	100	...	2.28	...	0.50

PART SECOND.

OF BANKING INSTITUTIONS.

I. THE BANK OF ENGLAND. — II. LONDON PRIVATE BANKS. — III. JOINT-STOCK BANKS IN LONDON. — IV. COUNTRY PRIVATE BANKS. — V. COUNTRY JOINT-STOCK BANKS. — VI. THE BANKS OF SCOTLAND. — VII. THE BANKS OF IRELAND. — VIII. MORAL AND RELIGIOUS DUTIES OF BANKING COMPANIES. — IX. TEN MINUTES' ADVICE ABOUT KEEPING A BANKER. — X. SUMMARY.

SECTION I.—THE BANK OF ENGLAND.

THE Act of Parliament by which the bank was established, is entitled "An Act for granting to their Majesties, several duties upon tonnage of ships and vessels, and upon beer, ale, and other liquors, for securing certain recompenses and advantages in the said Act mentioned, to such persons as shall voluntarily advance the sum of £ 1,500,000 towards carrying on the war with France." After a variety of enactments relative to "the duty upon tonnage of ships and vessels, and upon beer, ale, and other liquors," the Act authorizes the raising of £ 1,200,000 by voluntary subscription, the subscribers to be formed into a corporation, and be styled, "The Governor and Company of the Bank of England." The sum of £ 300,000 was also to be raised by subscription, and the contributors to receive instead, annuities for one, two, or three lives. Towards the £ 1,200,000 no one person was to subscribe more than £ 10,000 before the first day of July next ensuing, nor at any time more than £ 20,000. The corporation were to lend their whole capital to Government, for which they were to receive interest at the rate of £ 8 per cent. per annum, and £ 4,000 per annum for management; being £ 100,000 per annum in the whole. They were not allowed to borrow or owe more than the amount of their capital; and if they did so, the individual members became liable to the creditors, in proportion to the amount of their stock. They were not to trade in any "goods, wares, or merchandise whatsoever"; but they were allowed to deal in bills of exchange, gold or silver bullion, and to sell any goods, wares, or merchandise, upon which they had advanced money, and which had not been redeemed within three months after the time agreed upon. The whole subscription having been filled in ten days, a charter was issued on the 27th day of July, 1694. This charter has been repeatedly renewed.

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The charter granted in 1708 prohibited any other bank having more than six partners, issuing notes in any part of England.

The charter of 1833 continued the privileges of the bank until the expiration of one year's notice, to be given within six months after the expiration of ten years from August 1, 1834. But if such notice should not be given, then the charter was to be continued until the expiration of twelve months' notice, to be given after the 1st day of August, 1855.

According to this charter, no other bank, having more than six partners, can issue notes payable on demand in London, or within sixty-five miles thereof. Bank-notes are to be a legal tender, except at the bank or branch banks. The amounts of the notes in circulation, and of the deposits, and of the bullion and securities in the bank, are to be sent weekly to the Chancellor of the Exchequer for the time being. These accounts are to be consolidated every month, and an average state of the bank accounts for the preceding three months to be published in the *London Gazette*. Any joint-stock bank that does not issue notes may carry on business in London. The following is the clause relating to this subject: —

“And whereas the intention of this Act is, that the Governor and Company of the Bank of England should, during the period stated in this Act, (subject, nevertheless, to such redemption as is described in this Act,) continue to hold and enjoy all the exclusive privileges of banking given by the said recited Act of the 39th and 40th years of the reign of his Majesty King George III. aforesaid, as regulated by the said recited Acts of the 7th year of his late Majesty King George IV. or any prior or subsequent Act or Acts of Parliament, but no other or further exclusive privilege of banking: And whereas doubts have arisen as to the construction of the said Acts, and as to the extent of such exclusive privilege, and it is expedient that all such doubts should be removed: Be it therefore declared and enacted, that any body politic or corporate, or society, or company, or partnership, although consisting of more than six persons, may carry on the trade or business of banking in London, or within sixty-five miles thereof, provided that such body politic or corporate, or society, or company, or partnership, do not borrow, owe, or take up, in England, any sum or sums of money on their bills or notes payable on demand, or at any less time than six months from the borrowing thereof, during the continuance of the privileges granted by this Act to the said Governor and Company of the Bank of England.”

In the year 1844 the bank charter was again renewed until the expiration of twelve months to be given after the 1st day of August, 1855. The following are the principal provisions of this important Act (7 & 8 Vict. c. 32): —

Bank to establish a Separate Department for the Issue of Notes.

“I. Whereas it is expedient to regulate the issue of bills or notes payable on demand: and whereas an Act was passed in the fourth year of the reign of his late Majesty King William the Fourth, entitled ‘An Act for giving to the Corporation of the Governor and Company of the Bank of England certain Privileges for a limited Period, under certain Conditions’; and it is expedient that the privileges of exclusive banking therein mentioned should be continued to the said Governor and Company of the Bank of England, with such alterations as are herein contained, upon certain conditions: may it therefore please your Majesty that it may be enacted; and be it enacted by the Queen's most excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, *that from and after the thirty-first day of August, one thousand eight hundred and forty-four*, the issue of promissory notes of the Governor and Company of the Bank of England, payable on demand, shall be separated and

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thenceforth kept wholly distinct from the general banking business of the said governor and company; and the business of and relating to such issue shall be thenceforth conducted and carried on by the said governor and company in a separate department, to be called 'The Issue Department of the Bank of England,' subject to the rules and regulations hereinafter contained; and it shall be lawful for the court of directors of the said governor and company, if they shall think fit, to appoint a committee or committees of directors for the conduct and management of such issue department of the Bank of England, and from time to time to remove the members, and define, alter, and regulate the constitution and powers of such committee as they shall think fit, subject to any by-laws, rules, or regulations, which may be made for that purpose: Provided, nevertheless, that the said issue department shall always be kept separate and distinct from the banking department of the said governor and company.

Management of the Issue by Bank of England.

" II. And be it enacted, That upon the thirty-first day of August, one thousand eight hundred and forty-four, there shall be transferred, appropriated, and set apart by the said governor and company to the issue department of the Bank of England securities to the value of *fourteen million pounds*, whereof the debt due by the public to the said governor and company shall be and be deemed a part; and there shall also at the same time be transferred, appropriated, and set apart by the said governor and company to the said issue department so much of the gold coin and gold and silver bullion then held by the Bank of England as shall not be required by the banking department thereof; and thereupon there shall be delivered out of the said issue department into the said banking department of the Bank of England such an amount of Bank of England notes as, together with the Bank of England notes then in circulation, shall be equal to the aggregate amount of the securities, coin, and bullion so transferred to the said issue department of the Bank of England; and the whole amount of the Bank of England notes then in circulation, including those delivered to the banking department of the Bank of England as aforesaid, shall be deemed to be issued on the credit of such securities, coin, and bullion so appropriated and set apart to the said issue department; and from thenceforth it shall not be lawful for the said governor and company to increase the amount of securities for the time being in the said issue department, save as hereinafter is mentioned, but it shall be lawful for the said governor and company to diminish the amount of such securities, and again to increase the same to any sum not exceeding in the whole the sum of *fourteen million pounds*, and so from time to time as they shall see occasion; and from and after such transfer and appropriation to the said issue department as aforesaid it shall not be lawful for the said governor and company to issue Bank of England notes, either into the banking department of the Bank of England, or to any person or persons whatsoever, save in exchange for other Bank of England notes, or for gold coin or for gold or silver bullion received or purchased for the said issue department under the provisions of this Act, or in exchange for securities acquired and taken in the said issue department under the provisions herein contained: Provided always, that it shall be lawful for the said governor and company in their banking department to issue all such Bank of England notes as they shall at any time receive from the said issue department or otherwise, in the same manner in all respects as such issue would be lawful to any other person or persons.

Proportion of Silver Bullion to be retained in the Issue Department.

" III. And whereas it is necessary to limit the amount of silver bullion on which it shall be lawful for the issue department of the Bank of England to issue Bank of England notes; be it therefore enacted, That it shall not be lawful for the Bank of England to retain in the issue department of the said bank at any one time an amount of silver bullion exceeding one fourth part of the gold coin and bullion at such time held by the Bank of England in the issue department.

All Persons may demand of the Issue Department Notes for Gold Bullion.

" IV. And be it enacted, That from and after the thirty-first day of August, one thousand eight hundred and forty-four, all persons shall be entitled to demand from

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the issue department of the Bank of England Bank of England notes in exchange for gold bullion, at the rate of *three pounds seventeen shillings and ninepence* per ounce of standard gold; Provided always, that the said governor and company shall in all cases be entitled to require such gold bullion to be melted and assayed by persons approved by the said governor and company, at the expense of the parties tendering such gold bullion.

Power to increase Securities in the Issue Department, and issue additional Notes.

“ V. Provided always, and be it enacted, That if any banker who on the sixth day of May, one thousand eight hundred and forty-four, was issuing his own bank notes, shall cease to issue his own bank notes, it shall be lawful for her Majesty in Council, at any time after the cessation of such issue, upon the application of the said governor and company, to authorize the said governor and company to *increase the amount of securities in the said issue department* beyond the total sum or value of fourteen million pounds, and thereupon to issue additional Bank of England notes to an amount not exceeding such increased amount of securities specified in such Order in Council, and so from time to time: Provided always, that such increased amount of securities specified in such Order in Council shall in no case exceed the proportion of *two thirds the amount of bank notes which the banker so ceasing to issue* may have been authorized to issue under the provisions of this Act; and every such Order in Council shall be published in the next succeeding *London Gazette*.

Account to be rendered by the Bank of England.

“ VI. And be it enacted, That an account of the amount of Bank of England notes issued by the issue department of the Bank of England, and of gold coin, and of gold and silver bullion respectively, and of securities in the said issue department, and also an account of the capital stock, and the deposits, and of the money and securities belonging to the said governor and company in the banking department of the Bank of England, on some day in every week, to be fixed by the Commissioners of Stamps and Taxes, shall be transmitted by the said governor and company weekly to the said commissioners in the form prescribed in the schedule hereto annexed marked (A), and shall be published by the said commissioners in the next succeeding *London Gazette* in which the same may be conveniently inserted.

Bank of England exempted from Stamp Duty upon their Notes.

“ VII. And be it enacted, That from and after the said thirty-first day of August, one thousand eight hundred and forty-four, the said governor and company of the Bank of England shall be released and discharged *from the payment of any stamp duty*, or composition in respect of stamp duty, upon or in respect of their promissory notes payable to bearer on demand; and all such notes shall thenceforth be and continue free and wholly exempt from all liability to any stamp duty whatsoever.

Bank to allow £180,000 per Annum.

“ VIII. And be it enacted, That from and after the said thirty-first day of August, one thousand eight hundred and forty-four, the payment or deduction of the annual sum of one hundred and twenty thousand pounds, made by the said governor and company under the provisions of the said Act, passed in the fourth year of the reign of his late Majesty King William the Fourth, out of the sums payable to them for the charges of management of the public unredeemed debt, shall cease, and in lieu thereof the said governor and company, in consideration of the privileges of exclusive banking, and the exemption from stamp duties, given to them by this Act, shall, during the continuance of such privileges and such exemption respectively, but no longer, deduct and allow to the public, from the sums now payable by law to the said governor and company for the charges of management of the public unredeemed debt, the *annual sum of one hundred and eighty thousand pounds*, any thing in any Act or Acts of Parliament, or in any agreement, to the contrary notwithstanding: Provided always, that such deduction shall in no respect prejudice or affect the rights of the said governor and company to be paid for the management of the public debt at the rate and according to the

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terms provided in an act passed in the forty-eighth year of the reign of his late Majesty King George the Third, entitled 'An Act to authorize the advancing for the Public Service, upon certain Conditions, a Proportion of the Balance remaining in the Bank of England, for the Payment of Unclaimed Dividends, Annuities, and Lottery Prizes, and for regulating the Allowances to be made for the Management of the National Debt.'

Bank to allow the Public the Profits of increased Circulation.

"IX. And be it enacted, That in case, under the provisions hereinbefore contained, the securities held in the said issue department of the Bank of England shall at any time be increased beyond the total amount of fourteen million pounds, then and in each and every year in which the same shall happen, and so long as such increase shall continue, the said governor and company shall, in addition to the said annual sum of one hundred and eighty thousand pounds, make a further payment or allowance to the public, equal in amount to the net profit derived in the said issue department during the current year from such additional securities, after deducting the amount of the expenses occasioned by the additional issue during the same period, which expenses shall include the amount of any and every composition or payment to be made by the said governor and company to any banker in consideration of the discontinuance at any time hereafter of the issue of bank notes by such banker; and such further payment or allowance to the public by the said governor and company shall, in every year while the public shall be entitled to receive the same, be deducted from the amount by law payable to the said governor and company for the charges of management of the unredeemed public debt, in the same manner as the said annual sum of one hundred and eighty thousand pounds is hereby directed to be deducted therefrom."

Bank to enjoy Privileges subject to Redemption.

"XXVII. And be it enacted, That the said Governor and Company of the Bank of England shall have and enjoy such exclusive privilege of banking as is given by this Act, upon such terms and conditions, and subject to the termination thereof at such time and in such manner as is by this Act provided and specified; and all and every the powers and authorities, franchises, privileges, and advantages, given or recognized by the said recited Act passed in the fourth year of the reign of his Majesty King William the Fourth, as belonging to or enjoyed by the said Governor and Company of the Bank of England, or by any subsequent Act or Acts of Parliament, shall be and the same are hereby declared to be in full force, and continued by this Act, except so far as the same are altered by this Act; subject nevertheless to redemption upon the terms and conditions following; that is to say, at any time upon twelve months' notice to be given after the first day of August, one thousand eight hundred and fifty-five, and upon repayment by Parliament to the said governor and company or their successors of the sum of eleven million fifteen thousand and one hundred pounds, being the debt now due from the public to the said governor and company, without any deduction, discount, or abatement whatsoever, and upon payment to the said governor and company and their successors of all arrears of the sum of one hundred thousand pounds per annum, in the last-mentioned Act mentioned, together with the interest or annuities payable upon the said debt or in respect thereof, and also upon repayment of all the principal and interest which shall be owing unto the said governor and company and their successors upon all such tallies, exchequer orders, exchequer bills, or parliamentary funds which the said governor and company or their successors shall have remaining in their hands or be entitled to at the time of such notice to be given as last aforesaid, then and in such case, and not till then, the said exclusive privileges of banking granted by this Act shall cease and determine at the expiration of such notice of twelve months; and any vote or resolution of the House of Commons, signified under the hand of the Speaker of the said house in writing, and delivered at the public office of the said governor and company, shall be deemed and adjudged to be a sufficient notice."

We have noticed the provisions of this Act in a former part of our

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work. We shall here only give a summary of the business operations of the bank.

The Bank of England is a bank of issue. She can issue to the extent of £ 14,000,000 against that amount of securities set apart for that purpose. She can issue to any further amount against lodgments of gold and silver, as regulated by the above Act. This amount of £ 14,000,000 may be issued either at the office in London or at the branches. Were she to reduce the number of her branches she would not be required to issue less than this £ 14,000,000; and were she to increase her branches, she could issue no more. If other banks discontinue their circulation, she may upon application receive permission to extend her issues to two thirds the sum thus withdrawn; but all the profit of this increase must go to the Government. She cannot issue any note for a less amount than five pounds. All the notes are payable in gold on demand. The payment of those issued in London can be demanded only at the London office. But the payment of those issued at the branches may be demanded either at the London office or at the branches where they were respectively issued. Bank of England notes are a legal tender in all cases, except when tendered by the bank herself.

The Bank of England is also a Bank of deposit, of loan, and of discount. She allows no interest on any portion of her deposits, nor permits any account to be overdrawn. She charges various rates on the bills she discounts, but does not go below the rate she announces to be her minimum. She does not act as the London agent of country banks; but is the agent of the Bank of Ireland, and the Royal Bank of Scotland. She does not accept any bills that may be drawn by those banks, or by her own branches,—they are all drawn without acceptance. She does not issue any circular notes on foreign countries, nor grant letters of credit on foreign banks. She remits money to and from her branches, and from one branch to another. She issues at the London office bank-post bills, drawn at seven days' sight.

The Bank of England is also the banker of the Government. She has always a large amount of public deposits, on which she allows no interest. She receives the public revenue, and pays the dividends on the National Debt.

The profits of the bank are derived from her capital, her rest, public and private deposits, the seven-day bills, her agencies, and her circulation. From these funds she makes investments in public securities and private securities. These bring dividends and interest. She also has a profit on the £ 14,000,000 of notes in circulation. This profit is the difference between the expense of maintaining the circulation, and the interest received on the securities set apart to meet this circulation. The bank has an annual payment from the Government for managing the National Debt. She also receives a commission from those banks to which she is the London agent. A profit is also obtained on bullion transactions. The bank buys gold at £ 3 17s. 9d. an ounce and sells it at £ 3 17s. 10½d. an ounce. Against these profits the bank has to place the expense of conducting the establishment, and the losses incurred by bad debts, forgeries, and unfortunate investments.

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The Branches of the Bank of England.

The Act of 1826, which permitted the formation of joint-stock banks in England, also authorized the Bank of England to establish branches in the provincial towns. Their mode and terms of transacting business were thus described at the time in a Welsh newspaper, called the *Cambrian* : —

“ The branch bank is to be a secure place of deposit for persons having occasion to make use of a bank for that purpose ; such accounts are termed *drawing accounts*. The facility to the mercantile and trading classes of obtaining discounts of good and unexceptionable bills, founded upon real transactions, two approved names being required upon every bill or note discounted ; these are called *discount accounts*. The application of parties who desire to open discount accounts at the branch, are forwarded every Saturday to the parent establishment for approval, and an answer is generally received in about ten days. When approved, good bills may be discounted at the branch without further reference to London. Bills payable at Swansea, London, or any other place where a branch is established, are discounted under this regulation. The dividends on any of the public funds, which are payable at the Bank of England, may be received at the branch here, by parties who have opened ‘ drawing accounts,’ after signing powers of attorney for that purpose, which the branch^l will procure from London. No charge is made in this case, except the expense of the power of attorney and its postage. Purchases and sales of every description of Government securities are effected by the branch at a charge of one quarter per cent., which includes brokerage in London, and all expenses of postage, &c. A charge of one quarter per cent. is also made on paying at the Bank of England, bills accepted by persons having drawn accounts at Swansea, such bills to be advised by the branch ; also for collecting payment of bills at the other branches, and on granting letters of credit on London, or on the other branches. The branch grants bills on London, payable at twenty-one days’ date without acceptance, for sums of ten pounds and upwards. Persons having drawing accounts at Swansea, may order money to be paid at the bank in London, to their credit at this place, and *vice versé*, without any expense. The branch may be called upon to change any notes issued and dated at Swansea, but they do not change the notes of the bank in London, nor receive them in payment, unless as a matter of courtesy where the parties are known. Bank post bills which are accepted and due, are received at the branch from parties having drawing accounts, and taken to account without any charge for postage ; but unaccepted bank post bills, which must be sent to London, are subject to the charge of postage, and taken to account when due. No interest is allowed on deposits. No advance is made by the branch upon any description of landed or other property, nor is any account allowed to be overdrawn. The notes of Messrs. Walter’s Bank at this place, of Messrs. Williams & Rowland, Neath Bank, and of the Brecon Old Bank, are received in payment at the branch. Any other country bankers may open an account for the like purpose. The notes are the same as those issued by the parent establishment, except being dated Swansea, and made payable there and in London. No note issued exceeds the sum of £500, and none are for a less amount than £5.”

The Bank of England has opened fourteen branches. But the Exeter branch was removed, in the year 1844, to Plymouth ; and the Gloucester branch has recently been closed. The following tables will show the circulation in notes, and bank post bills, of each branch : —

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The following is an Account of the Average Circulation of BRANCH BANK NOTES in each year, from 1832 to 1847, both inclusive, distinguishing the Amount from each Branch :—

	1832.	1833.	1834.	1835.	1836.	1837.	1838.	1839.	1840.	1841.	1842.	1843.	1844.	1845.	1846.	1847.
Gloucester,	56,063	49,034	37,039	37,718	82,953	211,331	304,256	339,722	305,919	302,665	278,239	121,917	103,731	90,397	83,290	71,975
Manchester,	1,315,256	1,526,743	1,605,260	1,473,733	1,560,426	1,606,732	1,501,231	1,476,037	1,424,529	1,501,143	1,604,064	1,780,594	1,554,502	2,338,540	2,323,185	2,129,062
Swansea,	49,428	47,237	68,318	63,721	80,408	97,313	99,066	104,614	96,484	81,720	84,225	83,678	96,113	99,150	106,869	106,634
Birmingham,	413,622	402,739	353,125	328,329	363,463	432,186	462,431	499,017	525,630	533,320	555,496	603,095	600,900	592,107	606,589	653,231
Liverpool,	377,144	522,625	581,223	710,615	823,820	786,383	833,272	800,064	729,438	722,896	777,838	919,047	1,241,467	1,367,365	1,229,299	1,118,691
Bristol,	113,320	116,465	94,630	80,721	74,280	78,386	74,944	69,424	76,359	78,080	168,407	252,744	324,696	436,426	446,027	421,590
Leeds,	199,005	262,250	229,606	247,126	262,537	211,797	197,164	192,075	174,207	197,225	253,273	322,372	403,262	346,204	359,595	
Newcastle,	61,146	49,853	59,251	104,112	123,072	241,111	321,103	338,779	376,565	424,573	498,704	543,257	598,290	666,046	695,130	742,628
Hull,	59,272	63,035	58,522	52,039	66,859	77,438	80,015	81,046	84,511	78,842	80,486	89,137	98,826	124,523	122,552	112,053
Norwich,	30,245	32,521	25,117	16,639	12,843	11,661	10,723	12,020	10,546	10,050	19,369	35,102	37,402	30,752	12,240	10,533
Plymouth,	.....	.....	42,018	60,552	64,254	70,953	61,475	56,515	56,004	70,802	254,623	291,995	351,403	332,058	311,480	
Portsmouth,	.....	.....	.....	62,060	59,442	109,413	127,363	116,354	112,832	189,467	267,424	367,377	417,521	383,557	343,203	317,332
Leicester,*	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Exeter,*	31,154	36,016	34,869	7,334	3,411	2,259	1,635	1,308	1,063	805	661	.....	.....	.....	.....	.....
	2,695,700	3,113,693	3,214,655	3,253,754	3,537,763	3,836,163	3,994,528	4,637,005	4,006,937	4,216,529	4,886,618	5,437,396	6,516,984	7,127,604	6,773,636	6,527,740

The following is an Account of the Average Circulation of TWENTY-ONE-DAYS' and SEVEN-DAYS' BILLS, in each year, from 1832 to 1847; distinguishing the Amount from each Branch :—

	1832.	1833.	1834.	1835.	1836.	1837.	1838.	1839.	1840.	1841.	1842.	1843.	1844.	1845.	1846.	1847.
Gloucester,	2,327	1,947	2,008	2,427	1,606	1,835	1,805	1,139	1,012	790	679	722	1,342	89,862	969	958
Manchester,	13,972	15,407	13,542	19,357	14,534	13,862	14,736	16,505	21,310	33,169	35,010	52,124	76,067	89,862	82,750	74,690
Swansea,	2,253	1,565	1,568	2,496	1,551	1,435	1,502	1,342	1,160	1,474	1,752	1,748	2,202	2,079	1,946	2,186
Birmingham,	5,474	4,670	4,320	3,823	3,471	3,934	3,257	3,473	3,763	3,862	3,825	4,941	6,967	9,912	6,732	6,885
Liverpool,	33,746	38,132	36,464	54,567	44,363	33,973	30,687	32,009	39,761	47,960	53,500	65,325	84,239	112,270	93,394	91,602
Bristol,	8,573	7,838	7,521	4,895	3,637	4,458	3,615	3,403	3,373	3,154	3,591	3,484	5,828	9,143	6,832	8,447
Leeds,	6,109	7,289	6,176	5,936	4,498	3,466	3,418	3,631	3,648	5,017	5,780	8,311	10,155	12,575	13,130	13,289
Newcastle,	2,115	1,284	694	2,937	2,615	3,624	2,736	3,329	4,605	5,582	5,917	6,576	7,803	11,943	14,761	21,863
Hull,	3,795	4,831	2,434	2,003	2,313	2,736	2,532	3,002	3,173	3,217	4,598	5,132	7,732	11,140	9,506	11,217
Norwich,	1,712	1,650	1,340	2,731	1,105	1,385	956	1,351	1,377	1,804	1,783	1,949	2,329	1,719	1,612	1,557
Plymouth,	.....	.....	939	2,731	2,714	1,615	2,623	3,503	2,759	3,551	3,482	3,692	3,764	3,667	3,667	4,596
Portsmouth,	.....	.....	269	738	1,069	1,758	2,368	2,058	2,690	3,284	2,879	3,016	3,200	3,635	3,635	3,897
Leicester,*	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Exeter,*	815	969	980	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
	80,901	85,942	78,135	104,084	83,906	74,121	70,220	74,730	91,621	112,964	122,729	157,010	212,551	271,360	241,093	242,734

* This Branch was removed to Plymouth, May 1, 1834.

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The Gloucester branch has recently been closed. At one time the Gloucestershire Banking Company issued only the notes of this branch; but previous to 1844, they resumed the circulation of their own notes, and hence in the years 1843, and 1844, the circulation of this branch declined. Whether it be from this cause, or from the operation of the Act of 1844, that the branch has been discontinued, we do not know. It is clear, that under this Act, the Bank of England has few motives for extending her branches. She cannot increase her circulation of notes except under especial circumstances, and then all the profit must go to the Government.

The Bank of England consented to establish branches in the year 1826, at the suggestion of Lord Liverpool, in order to extend to the provinces the advantage of a *secure* circulation. This was considered the grand desideratum at that time, in consequence of the numerous failures that had recently taken place among the country bankers. This object was effected, and effected with greater facility, in consequence of the establishment of joint-stock banks, who made arrangements for issuing Bank of England notes.

These branches were not merely banks of circulation. They were banks of deposit, of discount, and of remittance. In these respects they came into competition with the country bankers. This, in some cases reduced the charges previously made on banking transactions. As banks of discount, they charged the same rate which was charged at the London office, — a charge usually below that of the country banks. As banks of remittance, they granted letters of credit at a shorter term. As banks of deposit, they charged no commission. But, on the other hand, they allowed no interest on the balance, and they allowed no account to be overdrawn; and they would not receive from their depositors any country notes, unless the banks had previously opened an account with them, and made a lodgment to meet their notes.

While, therefore, the branches have obtained a large circulation, and have transacted a good business as banks of discount and of remittance, they have not made much progress as banks of deposit. The deposits at all the branches amount to only £1,200,000. When it is considered that the branches are established in large towns, and that many of them have existed for above twenty years, this amount is far from considerable.

Here is another anomaly of the Act of 1844. The Bank of England is placed in a position in which it is her interest to withdraw some of her branches. At the same time, the banks of issue in the neighbourhood of those branches are not allowed to extend their issues so as to fill up the vacuum which is thus occasioned in the amount of the local circulation.

The Laws of the Currency with Reference to the Bank of England.

In March, 1841, I was, at the request of the joint-stock banks, examined as a witness before a Select Committee of the House of Commons "appointed to inquire into the effects produced on the circulation of the country by the various banking establishments issuing notes payable

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on demand." The charge advanced at the time against the issuing joint-stock banks, and generally against all banks of issue was, that they did not make the amount of their circulation correspond with the amount of the circulation of the Bank of England. With reference to this accusation, I laid before the committee a variety of tables, designed to show the laws which regulated the circulation of the Bank of England, of the country banks, of the banks of Ireland and of Scotland, respectively. The inference was designed to show that no correspondence could exist between the circulation of these several banks. These tables cannot be introduced here. But the following is a summary of my evidence on this subject, taken from an article on "The Laws of the Currency," which I published in the "Foreign and Colonial Review" of April, 1844:—

"We have before us two reports from the Committee on Banks of Issue, laid before the House of Commons in the years 1840 and 1841. The committee report the evidence, and abstain from giving any opinion upon the great questions involved in the inquiry. They, however, recommended the passing of the Act 4 & 5 Vict. c. 50, requiring a monthly registry of the circulation of the Bank of England, and of the other banks of issue, with the amount of bullion, to be published in the *Royal Gazette*. It may therefore be expected, that, in a course of years, a sufficient number of facts will be recorded to enable future generations to form 'well-grounded opinions' on this important subject.

"In the mean time we will make use of the information we already possess. We will take the monthly returns of the circulation for the period that is past, that is, from September 1833 to the end of 1843, and endeavour, by observing their various revolutions, to discover if they are governed by any fixed causes or principles,—to ascertain if those principles are uniform in their operation; and if we should discover that the revolutions of the currency are regulated by any uniform principles, we shall call those principles the Laws of the Currency.

"We shall begin with that portion of the currency which consists of notes issued by the Bank of England. On looking over the monthly circulation of the Bank of England, given in the Table, No. 34, in the Appendix to the Report of 1840,* we observe, that the circulation of the months in which the public dividends are paid is higher than in the subsequent months. Thus, the average circulation of January is higher than that of February or March. The circulation of April is higher than that of May or June. The circulation of July is higher than that of August or September. And the circulation of October is higher than that of November or December. This, then, we may consider as one law of the circulation of the Bank of England,—that it ebbs and flows four times in the year, in consequence of the payment of the quarterly dividends. This law does not apply to any other bank, as all the Government dividends are paid by the Bank of England.

"Again, the purchase and sale of Government stock and exchequer

* This table, extended to the latest return, is published in the *Banking Almanac* for 1849, p. 24. It will be seen that the laws of the circulation of the Bank of England remain the same as before the passing of the Act of 1844.

bills by the Bank of England affects the amount of her circulation. If the bank purchase Government stock or exchequer bills, she pays for them in her own notes, and thus increases her circulation. If, on the other hand, she sell Government stock or exchequer bills, she receives payment in her own notes, and thus her circulation is diminished. Another law, then, and one peculiar to the Bank of England is, that her circulation is affected by the purchases and sales of Government securities.

“As the payment of the public dividends puts into circulation the notes of the bank, the receipt of the public revenue will of course withdraw her notes from circulation. A large amount of the public revenue is paid at the latter part of the year, and this probably is the main cause why the amount of the Bank of England circulation is always the lowest in the month of December. Although the circulation ebbs and flows four times in the year, yet the December* point is always the lowest point throughout the year; and this is the case in every year, although the Bank of England is always open in December for short loans, the granting of which increases her circulation. This, then, is another law of the circulation.

“If the bank purchase bullion with her notes, that will of course increase her circulation; if she sell bullion, that will diminish her circulation; and, as the bank is always open for the purchase of bullion at a fixed price, and as gold may at all times be withdrawn from her in payment of her notes, her circulation is subject to considerable fluctuation from this cause. There is not, however, any uniform correspondence between the amount of her circulation† and the amount of her bullion; for when she pays the public dividends, she increases her notes, but diminishes her bullion; and when she receives the public revenue, as in December, her circulation is diminished, but the bullion is increased. These contrary fluctuations are occasioned by that portion of our currency which is under £5 consisting of the precious metals; but they do not impugn the law which states that the purchase of gold increases, and the sale of gold diminishes, the amount of her circulation.

“We have thus traced those peculiar laws which regulate the monthly revolutions of the circulation of the Bank of England. We shall now proceed to its annual revolutions.

“Any of the causes of the monthly fluctuations of the circulation of the Bank of England, if called into operation more in one year than in another, may become causes of annual fluctuations. But the most uniform and permanent cause of annual fluctuation appears to be made by the purchases and sales of bullion. The word ‘bullion,’ in the bank returns, means gold and silver, whether coined or uncoined, and whether lying at the head office or at the branches. When the foreign exchanges are in

* There was an exception to this law in December, 1843, in consequence of the calling in of the light sovereigns.

† The word “circulation” means of course the amount of notes in the hands of the public. Since the passing of the Act of 1844, the word has been sometimes used in a more extended sense, so as to include also the notes in the banking department of the Bank of England.

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favor of this country, bullion is imported and sold to the Bank of England; and when the exchanges are unfavorable, gold is exported, and the exporters obtain the gold from the Bank of England, either by purchase or by demanding payment of her notes. In most cases, however, the circulation does not fluctuate so much as the bullion. For when notes are issued against a large importation of bullion, money becomes abundant and cannot be employed, and hence it is lodged by bankers and others in the Bank of England, on deposit. But so long as the bank keeps her securities of the same amount, the increase of the bullion will always be about equal to the increase of the circulation and the deposits added together. And, on the other hand, when an adverse exchange draws bullion from the bank, the deposits decrease as well as the circulation; and the decrease in both together will be equal to the amount of gold withdrawn; that is, supposing the securities to remain the same.

“By ‘securities’ is meant Government stock, exchequer bills, loans, discounted bills, or any thing else on which the bank may have advanced money. It is a principle of management by the bank, to keep the total amount of their securities equal, or nearly so; and so long as this rule is acted upon, the tendency of exportations or importations of bullion to produce the variations we have described, must be considered as one of the laws of the circulation.”

One Bank of Issue.

Mr. Cotton, who was the Governor of the Bank of England when the Act of 1844 was passed, stated in the evidence before a Committee of the House of Commons, in 1848, that the ultimate object of that Act was the establishment of one bank of issue. (*Commons*, 4561.) I was examined on this subject before the committee on banks of issue, in the year 1841. The following is a summary of my evidence:—

1. *If we had only one bank of issue we should have sometimes too much money and sometimes too little for the wants of trade.*—“I think it is one of the inconveniences of a metallic currency, and would, in fact, be one of the inconveniences of a sole bank of issue, that at one part of the year we should have too much money, and at another part too little; because, as money would not fluctuate in amount, and the demands of trade would fluctuate, the amount of money would not be proportionate throughout the year to the demands of trade.” “I have shown from Appendix 34, that even taking the whole circulation together, there is a difference varying from two to four millions, in the total amount of the circulation; and, therefore, after supposing all these transfers to have taken place, if they could have taken place at all, and that the surplus of one district was to supply the wants of another, still there would be a very great inequality in the amount of money, as compared with the demands of trade.”

“It appears from Appendix 34, that the total amount of notes in England, Scotland, and Ireland, varies very considerably in different months of the year. Supposing, then, that you had one bank, and that all the notes in circulation were the notes of that one bank, which did nothing

but issue notes against gold, and gold against notes, how would you employ those notes which were not wanted in the slack periods of the season? " " It is evident from Appendix 34, that during some part of the year there is not employment for the entire amount of money that is required in another season of the year; and if you had one bank of issue, as you could not contract the circulation, you would have a surplus circulation, which would have the effect of lowering the rate of interest, and promoting speculation."

2. *One bank of issue would reduce the means of the country bankers to afford assistance to their customers, and hence cause great distress, especially in the agricultural districts.* — "What would be the effect which you think it would produce upon country bankers?" "I think the banks, in the first place, having to pay off their notes, it would reduce their funds, from which they now give accommodation to their customers; and in order to find funds to pay off those notes, they would have to recall loans, and to reduce discounts to such a degree as to cause considerable distress throughout the country, and more especially in the agricultural districts."

3. *The bankers would be compelled to increase their charges.* — "What effects do you imagine would ensue when the measure had once been carried into effect?" "After the measure had once been carried into effect, the charges which the country bankers would be compelled to make upon that accommodation which they would still have the power of affording, must be considerably increased."

"Why?" "Because they would then get no profit upon the notes; at present they can afford to advance money at a low rate of interest when issued in their own notes, because of the profit upon those notes. When I was in Ireland, I discounted bills at the same rate which was charged by the Bank of England here, and for the same reason, because I issued my own notes; but if the country bankers had to bring the money from a distance and lend it to their customers, they must get a greater interest from their customers than they could get by employing in London or elsewhere, and hence they must make, either in the form of interest, or in the form of commission, heavier charges than they made before."

4. *One bank of issue would cause some of the smaller banking establishments to be discontinued.* — "The profit on the circulation being thus reduced, there would be a further effect by the limitation of banking establishments; for some of those establishments are so small, and established in remote places, that they would scarcely pay the expense of conducting them, unless for the profits of the circulation; and yet the withdrawal of those establishments, though connected with no great profit to the bank, would be attended with very considerable loss and inconvenience to the inhabitants of those places, because those banks act as receivers of the surplus capital, and hence they are useful to persons who have money to place in those banks; they act as discounters and granters of loans, and hence they are useful to the productive industry of the country; they are also useful as banks of remittance, for the purpose of making payments from those places elsewhere, and hence they are useful to traders; and those useful purposes, as far as many small banks are

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concerned, would be altogether annihilated, if those establishments did not issue their own notes."

"In your opinion, the suppression of their circulation would render it necessary for them to charge a higher commission upon their operations, or a higher interest upon the loans which they make?" "With regard to those small establishments, I do not think any rate of commission could pay the expense: with regard to the larger establishments, you might make up for the deficiency of profit upon the circulation by an increased charge of commission; but with regard to small establishments, in remote places, the business is not sufficient, even with the charge of commission, to pay the expense without the profits of the circulation: annihilation of the circulation would lead to annihilation of the bank."

5. *One bank of issue would lead to the substitution of bills of exchange, or some other form of credit currency.* — "Do you conceive that it would have any effect upon what you have called the amount of the circulation, which in your opinion is required at different times of the year?" "I think it would have a considerable effect generally in the reduction of the circulation; because if the circulation were issued by one single bank, the local bankers in the respective districts would have no interest in increasing the amount of that circulation, and hence, in places where it could be done, the bankers would most likely have recourse to a bill circulation, and they would substitute bills for the circulation of this one bank of issue. We know that at Manchester and Liverpool, and in other places in that district, a bill circulation, a short time ago, was almost the entire circulation; and it was not till the Bank of England established branches in those places, that the bill circulation became considerably reduced; and even then the bank obtained a circulation in those places only by offering their notes to country bankers at a reduced rate of interest. Now, if you had only one bank of issue, it is not to be supposed that the country bankers would obtain those notes at a reduced rate of interest, and consequently they would have no advantage in getting them into circulation; they would fall back upon their bill circulation, upon which they got a profit, and the amount of note circulation would, I think, be considerably reduced."

6. *With one bank of issue, the reactions of the Foreign Exchanges would produce great and universal distress, and yet not accomplish that constant conformity between the London and country circulation which is sought to be attained.* — "Do you conceive that such a change as has been contemplated, namely, the abolition of country bank-notes, would produce any effect upon the foreign exchanges?" "The effect upon the foreign exchanges would depend upon the principle upon which the single bank of issue was conducted. If conducted merely by issuing gold for notes and notes for gold, I consider that when the foreign exchanges were favorable, and brought in a large amount of gold, then there would be a large amount of notes put into circulation. I think that was the case in 1837 and 1838, although the Bank of England did not issue to such an extent, as, upon the principle assumed, this one bank of issue would be compelled to do. I consider that thus this large amount of notes put into circulation against the importation of gold would reduce the rate

of interest, would excite speculation, and lead to foreign investments; that a reaction would then take place, and the amount of contraction would be very considerable, so as to produce very great distress."

"Now, whether you have different banks, or whether you have only one bank, if there is a certain amount of circulation in the country, and a certain amount in London, and the Bank of England, or the central bank, purchase a large amount of bullion in London, that immediately disturbs the proportion that existed between the London circulation and the country circulation; and, on the other hand, if there is a demand for bullion to go abroad, and bullion is sold at the central office, that will contract the circulation, and contract it much more than it could be immediately contracted in the country. If, therefore, the liability to a disproportion in amount between the country and the London circulation is a defect in the existing system, it is a defect which the establishment of only one bank of issue will not remedy."

7. *The establishment of one bank of issue would embarrass the Fiscal operations of the Government.* — "I may now state, with reference to the payment of the public dividends, that the Bank of England advances loans in December, before the dividends are paid, which loans are discharged after the dividends are paid, and thus the fluctuation in the currency is very considerably diminished from what it otherwise would be. Now, if we had a bank that could not do this, if the currency were issued upon what have been called currency principles, then the Chancellor of the Exchequer must have the whole amount of the January dividends in his strong room before he could pay those dividends. Out of the circulation of England and Wales, consisting of about £ 28,000,000, you must collect eight millions and a half, and lock them up in the custody of the Government previously to the payment of the dividends; then you pay out in a mass these eight millions and a half, and that in a state of contracted currency; and thus you go on, four times in the year, producing the most violent and most extravagant fluctuations: whereas now, by the excellent plan adopted by the Bank of England, in issuing her notes before the payment of the dividends, by means of loans, which are discharged after the payment of the dividends, notwithstanding you pay eight millions and a half of dividends, you produce a fluctuation in the currency of only two millions and a half."

8. *The principle of one bank of issue cannot be applied to the various currencies of the United Kingdom.* — "What is the general conclusion which you propose to draw from the tables you have put in?" "The general conclusion I would draw is, that the Bank of England is governed by certain laws which do not apply to the country circulation; that the country circulation of England is also governed by laws peculiar to itself; that the circulation of Ireland is also governed by laws peculiar to itself; that the circulation of Scotland is also governed by laws peculiar to itself; that those respective circulations are all governed by uniform laws, as is shown by their arriving at nearly the same point at the same period of the year; and therefore that you cannot introduce any system by which all those various circulations, governed by different laws, can be amalgamated into one system; that such a system would be at

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variance with itself, and would tend to destroy that beautiful system of country banking which now exists in this country,—a system which has tended very much to the prosperity of this country, which, by receiving the surplus capital of different districts, and giving out the capital for the encouragement of trade, calls forth all the natural resources of the country, and puts into motion the industry of the nation, and at the same time supplies a circulation which expands and contracts in each district according as it is required by the trade or agriculture of the district. Those expansions or contractions take place at different periods of the year in different districts; the circulation expands when the wants of trade require it, and when no longer wanted it again returns; and I think this beautiful system, in the language of the resolutions passed by the deputies from the joint-stock banks, ‘has greatly promoted the agriculture, trade, mining, and general industry of the nation, and that equal advantages cannot be produced by one bank of issue.’ ”

We shall conclude this section by copying the correspondence between the First Lord of the Treasury and the Chancellor of the Exchequer and the Bank of England, respecting the suspension of the Act of 1844.

“GENTLEMEN,

“*Downing Street, 25th October, 1847.*

“Her Majesty’s Government have seen with the deepest regret the pressure which has existed for some weeks upon the commercial interests of the country, and that this pressure has been aggravated by a want of that confidence which is necessary for carrying on the ordinary dealings of trade.

“They have been in hopes that the check given to transactions of a speculative character, the transfer of capital from other countries, the influx of bullion, and the feeling which a knowledge of these circumstances might have been expected to produce, would have removed the prevailing distrust.

“They were encouraged in this expectation by the speedy cessation of a similar state of feeling in the month of April last.

“These hopes have, however, been disappointed, and her Majesty’s Government have come to the conclusion, that the time has arrived when they ought to attempt, by some extraordinary and temporary measure, to restore confidence to the mercantile and manufacturing community.

“For this purpose, they recommend to the directors of the Bank of England, in the present emergency, to enlarge the amount of their discounts and advances upon approved security; but that, in order to retain this operation within reasonable limits, a high rate of interest should be charged.

“In present circumstances, they would suggest that the rate of interest should not be less than 8 per cent.

“If this course should lead to any infringement of the existing law, Her Majesty’s Government will be prepared to propose to Parliament on its meeting, a Bill of Indemnity. They will rely upon the discretion of the directors to reduce as soon as possible the amount of their notes, if any extraordinary issue should take place, within the limits prescribed by law.

“Her Majesty’s Government are of opinion that any extra profit derived from this measure should be carried to the account of the public, but the precise mode of doing so must be left to future arrangement.

“Her Majesty’s Government are not insensible of the evil of any departure from the law which has placed the currency of this country upon a sound basis; but they feel confident that, in the present circumstances, the measure which they have proposed may be safely adopted, and at the same time the main provisions of that law, and the vital principle of preserving the convertibility of the bank-note, may be firmly maintained.”

“We have the honor to be, Gentlemen,

“Your obedient humble Servants,

“*The Governor and Deputy Governor
of the Bank of England.*”

(Signed,)

“J. RUSSELL.

“CHARLES WOOD.

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" GENTLEMEN,

" Bank of England, 25th October, 1847.

" We have the honor to acknowledge your letter of this day's date, which we have submitted to the Court of Directors, and we inclose a copy of its resolutions thereon.

" We have the honor to be, Gentlemen,

" Your most obedient Servants,

" JAMES MORRIS, Governor.

" H. J. PRESCOTT, Deputy Governor.

" To the First Lord of the Treasury and the
Chancellor of the Exchequer."

" At a Court of Directors, at the Bank of England, Monday, 25th October, 1847 :
Resolved, —

" 1. That this Court do accede to the recommendation contained in the letter from the First Lord of the Treasury and the Chancellor of the Exchequer, dated this day, and addressed to the Governor and Deputy Governor of the Bank of England, which has just been read.

" 2. That the minimum rate of discount on bills not having more than 95 days to run be 8 per cent.

" 3. That the advances be made on bills of exchange, on stock, exchequer bills, and other approved securities, in sums of not less than two thousand pounds, and for a period to be fixed by the Governors, at the rate of 8 per cent. per annum."

" GENTLEMEN,

" Downing Street, 23d November, 1847.

" Her Majesty's Government have watched, with the deepest interest, the gradual revival of confidence in the commercial classes of the country.

" They have the satisfaction of believing that the course adopted by the Bank of England, on their recommendation, has contributed to produce this result, whilst it has led to no infringement of the law.

" It appears, from the accounts which you have transmitted to us, that the reserve of the Bank of England has been for some time steadily increasing, and now amounts to £5,000,000. This increase has, in a great measure, arisen from the return of notes and coin from the country.

" The bullion exceeds £10,000,000, and the state of the exchanges promises a further influx of the precious metals.

" The knowledge of these facts by the public is calculated to inspire still further confidence.

" In these circumstances, it appears to her Majesty's Government that the purpose which they had in view in the letter which we addressed to you on the 25th October has been fully answered, and that it is unnecessary to continue that letter any longer in force.

" We have the honor to be, Gentlemen,

" Your obedient humble Servants,

(Signed,)

" J. RUSSELL.

" The Governor and Deputy Governor
of the Bank of England."

" CHARLES WOOD.

" GENTLEMEN,

" Bank of England, 23d November, 1847.

" We have the honor to acknowledge the receipt of your letter of this day's date, in which you communicate to us that in consequence of the gradual revival of confidence in the commercial classes of the country, it appears to her Majesty's Government that the object they had in view in the letter they addressed to us on the 25th October has been fully answered, and that it is unnecessary to continue that letter any longer in force.

" We have the honor to be, Gentlemen,

" Your most obedient Servants,

" JAMES MORRIS, Governor

" H. J. PRESCOTT, Deputy Governor.

" To the First Lord of the Treasury and the
Chancellor of the Exchequer."

Of Banking Institutions.

SECTION II.—THE LONDON PRIVATE BANKERS.

By the last Bank Charter Act (7 & 8 Vict. c. 32, s. 21), passed in the session of 1844, it was enacted “that every banker in England and Wales, who is now carrying on, or shall hereafter carry on, business as such, shall, on the first day of January in each year, or within fifteen days thereafter, make a return to the Commissioners of Stamps and Taxes at their head office in London, of his name, residence, and occupation, or in the case of a company or partnership, of the name, residence, and occupation of every person composing or being a member of such company or partnership, and also the name of the firm under which such banking company or partnership carry on the business of banking, and of every place where such business is carried on; and if any such banker, company, or partnership, shall omit or refuse to make such return within fifteen days after the said first day of January, or shall wilfully make other than a true return of the persons as herein required, every banker, company, or partnership so offending, shall forfeit and pay the sum of £ 50; and the said Commissioners of Stamps and Taxes shall, on or before the first day of March in every year, publish in some newspaper circulating within each town or county respectively, a copy of the return so made by every banker, company, or partnership carrying on the business of bankers within such town, or respectively, as the case may be.”

This was the first time that any of the banking companies in London were required to make returns to Government of the number or names of their partners. All banks that issued notes were required when they applied for a license, to name their partners; but as none of the London bankers issued notes, they required no license, and made no return. Nor did the joint-stock banks established in London, make any returns to the Government of their partners. For as they did not possess, until the year 1844, the power of suing and being sued in the name of their public officers, they did not register, at any Government office, the names of their partners, though, in some cases, these names were appended to the Annual Reports of the directors. This Act (7 & 8 Vict. c. 32) came into operation in January, 1845, and we have now, therefore, for the first time, the means of obtaining the names of all the partners in all the banking establishments throughout England and Wales. (These are inserted every year in the *Banking Almanac*.)

The Act not only requires that the bankers shall make these returns between the first and fifteenth of January in each year, it requires also, that the Commissioners of Stamps and Taxes shall publish them before the first of March following, in some newspaper that circulates within the town or county in which the bankers making the return carry on their business. The returns from the London banks are published in supplements to the *London Gazette*, which we presume is considered to be a newspaper within the meaning of the Act.

The particulars required to be returned by the Act, and stated in the *Gazette*, are, the name of the firm or company; the name, residence, and occupation of the persons of whom the company or partnership con-

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sists; and the name of the place or places where the business is carried on.

The London banking establishments, according to the last return, consist of fifty-eight partnerships, each not having more than six partners; and of five public companies which are usually styled joint-stock banks. The former may be divided into three classes:—

- I. Those who are members of the Clearing-house.
- II. Those located west of Temple-bar, but are not members of the Clearing-house.
- III. Those located east of Temple-bar.

1. A List of those London Banking Firms who attend the Clearing-house.

<i>Name of the Firm.</i>	<i>No. of Partners.</i>	<i>Residences.</i>
1. Barclay, Bevan, Tritton, & Co.	five	54, Lombard-street.
2. Barnard, Dimsdale, & Co.	two	50, Cornhill.
3. Barnett, Hoare, & Co.	five	62, Lombard-street.
4. Bosanquet, Franks, & Whatman	three	73, Lombard-street.
5. Brown, Janson, & Co.	six	32, Abchurch-lane.
6. Curries & Co.	four	29, Cornhill.
7. Denison, Heywood, Kennard, & Co. . . .	four	4, Lombard-street.
8. Fullers & Co.	three	65, Moorgate-street.
9. Glyn, Halifax, Mills, & Co.	six	67, Lombard-street.
10. Hanburys, Taylor, & Lloyd	five	60, Lombard-street.
11. Hankey & Co.	four	7, Fenchurch-street.
12. Jones, Lloyd, & Co.	five	43, Lothbury.
13. Labbock, Forster, & Co.	three	11, Mansion-House-street.
14. Martins, Stones, & Martins	four	68, Lombard-street.
15. Masterman, Peters, Mildred, Masterman, & Co.	six	{ 34 & 35, Nicholas-lane, Lombard-street.
16. Prescott, Grote, Cave, & Co.	four	62, Threadneedle-street.
17. Price, Marryatt, & Co.	two	3, King William-street.
18. Roberts, Curtis, & Co.	four	15, Lombard-street.
19. Rogers, Olding, & Co.	four	29, Clement's-lane.
20. Sapse, Muspratt, Banbury, & Co. . . .	three	77, Lombard-street.
21. Smith, Payne, & Smith	six	1, Lombard-street.
22. Spooner, Atwoods, & Co.	two	27, Gracechurch-street.
23. Stevenson, Salt, & Sons	three	20, Lombard-street.
24. Williams, Deacon, Labouchere, & Co. . .	five	20, Birch-in-lane.
25. Willis, Percival, & Co.	six	76, Lombard-street.

Total, 104 partners.

2. A List of those Banking Firms West of Temple Bar, who are not Members of the Clearing house.

<i>Name of the Firm.</i>	<i>No. of Partners.</i>	<i>Residences.</i>
1. Bouverie, Norman, & Murdock	three	11, Haymarket.
2. Call, Marten, & Co.	three	25, Old Bond-street.
3. Cocks, Biddulph, & Co.	five	43, Charing-Cross.
4. Coutts & Co.	four	58 & 59 Strand.
5. Messrs. Drummond	five	49, Charing Cross.
6. Hallett, Robinson, & Co.	four	14, Great George-street.
7. Herries, Farquhar, & Co.	four	16, St. James's-street.
8. Charles Hopkinson & Co.	two	3, Regent-street.
9. Ransom & Co.	four	1, Pall Mall East.
10. Sir Samuel Scott & Co.	three	1, Cavendish-square

London Private Bankers.

<i>Name of the Firm.</i>	<i>No. of Partners.</i>	<i>Residences.</i>
11. Strahan, Pauls, & Bates	four	217, Strand.
12. Richard Twining & Co.	six	215, Strand.

Total, 47 partners.

3. A List of the Banking Firms East of Temple Bar.

<i>Name of the Firm.</i>	<i>No. of Partners.</i>	<i>Residences.</i>
1. Abraham Bauer & Co.	one	71, King William-street.
2. William and John Biggerstaff	two	8, West Smithfield.
3. James Bult, Son, & Co.	two	85 & 86, Cheapside.
4. Child & Co.	four	1, Fleet-street.
5. Roger Cunliffe	one	24, Bucklersbury.
6. Cunliffes, Brooks, & Co.	two	24, Lombard-street.
7. Robert Davies & Co.	two	187, High-st., Shoreditch.
8. Dixon, Brooks, & Dixon	three	25, Chancery-lane.
9. Drewett & Fowler	two	4, Princes-street.
10. John Feltham & Co.	two	42, Lombard-street.
11. Goslings & Sharpe	five	19, Fleet-street.
12. C. Hill & Sons	two	17, West Smithfield.
13. Messrs. Hoare	five	37, Fleet-street.
14. Hugh & John Johnston & Co.	three	15, Bush-lane.
15. Sir C. S. Kirkpatrick, Dalrymple, MacGregor, Twigg, & Co.	four	29, Gracechurch-street.
16. Pocklington & Lacy	two	60, West Smithfield.
17. Praed, Fane, & Co.	four	189, Fleet-street.
18. Puget, Bainbridge, & Co.	four	12, St. Paul's Churchyard.
19. John Shank	one	76, West Smithfield.
20. John & W. S. Stride	two	41, West Smithfield.
21. Thomas G. Tisdale	one	15, West Smithfield.

Total, 54 partners.

The Clearing Banks are banks of deposit and of discount, and they act as agents to the country banks. The banks in Fleet-street and in Westminster do not usually discount bills for their customers, nor act as agents to country banks. Their connections embrace chiefly the clergy, the gentry, and the nobility. Their loans to their customers are chiefly upon landed security, and they are supposed to hold a large amount of exchequer bills and other Government securities. None of the London bankers allow interest on deposits, or charge commission on town accounts. Those who act as agents to country banks charge a commission on the debit side of the account, and some of them allow interest on the daily balance. Instead of a *pro rata* commission, some country banks pay their agent by a fixed annual payment, or by keeping in his hands a certain balance without interest. None of the present London bankers have ever issued notes, though, until the year 1844, they had legally the power of doing so. Several of them issue "Circular Notes," for the use of travellers on the continent.

The following is a summary of part of the evidence delivered before the Bank Committee of 1832, by George Carr Glyn, Esq., respecting the London bankers :—

" There are sixty-two private banks in the metropolis, none of which for the last fifty years have issued notes of their own, though it would seem that such of them as consist of fewer than six partners might lawfully circulate their own paper if they pleased. As they act entirely with the Bank of England paper, it is doubtful whether there be

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any limit to the number of partners of which London private banks may consist. They receive deposits, upon which they pay no interest. The system of allowing interest on deposits was formerly tried in London; but the houses that attempted it invariably failed. The deposits held by the London bankers are generally composed of very large sums, which are necessarily payable on demand; and hence they cannot be made use of to the same extent as those which are intrusted to country bankers, and which, whenever interest is allowed, are usually left with them for a stipulated period. On the other hand, in all ordinary transactions, the London banks charge no commission to their customers.

The London banks, in order to be able to meet their engagements, usually keep a large deposit, nearly equal, perhaps, to half of what they hold in reserve, in the Bank of England; a portion of their current funds they necessarily hold at home in bank paper, and a small amount in gold. Their deposit in the bank they consider as so many notes in their drawer, liable to be called out by the daily fluctuations in the accounts of their customers. The balances in their hands, often very large, are frequently withdrawn without notice; hence their intercourse is almost hourly with the Bank of England, from which they receive every facility.

In order to turn their funds to profit, the London bankers employ as much money as they can amongst their customers. They invest a considerably larger proportion of their deposits in bills of exchange and promissory notes, than in public securities. The city banker is, however, under a disadvantage in this respect, which is not felt by the banker at the west end of the town. The latter may, to a certain extent, depend upon the use of the money deposited with him, as his accounts are usually those of country gentlemen, and individuals out of trade; whereas the former, whose accounts are principally those of persons actively engaged in commercial or money operations, can hardly know three days beforehand what the amount of his deposits may be at any given period. The London bankers are obliged to employ their money occasionally at a very low rate of interest. In some cases, it may have been within the last twelve months, $2\frac{1}{2}$ per cent.; but the average has been from 3 to $3\frac{1}{2}$, and it has fairly kept at that rate. The highest rate has been 4 for short bills, but 5 has been charged for bills of twelve or eighteen months."

We shall now describe the mode of conducting the clearing, or the way in which many of the London bankers make their exchanges with each other. These exchanges are made at the Clearing-house. At this house, which is situated in Lombard-street, in a part of the old Post-office, a clerk attends from each banking-house twice a day. First, he goes at eleven o'clock with those bills which he has upon other bankers. Each bill is receipted by the house through whom it is presented, and the cheques have the name of the house written across them. He drops the bills payable at each house in a separate drawer provided for the purpose, and he enters in his book, under separate accounts, those bills that may be dropped into his drawer. At about twelve he returns home. He goes again at three o'clock with a fresh quantity of bills and cheques, which he delivers in the several drawers as before. He then enters in his book those cheques that may have been delivered in his drawer. From three to four he receives further supplies of cheques brought to him from home by other clerks. These cheques he enters in his book, and they are then delivered in the proper drawers. As soon as the clock strikes four, no further cheques are taken. He then casts up each account, and strikes the balance. These balances are then transferred to the balance-sheet. The balance-sheet is a half sheet of paper, with a list of clearing bankers printed alphabetically in a row down the middle. On the left-hand side is a space for the debtors. On the right-hand side is a space for the creditors. The clerk begins with the house at the top of the list. If this house owes him money, he places the balance on the left side of the

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name. If he owes money to this house, he places the amount on the right side. Thus he proceeds through the whole list. He then goes to the clerk of each house, and calls the balance to him; and if they both agree, they mark it with a pen. If they differ, they examine where the error lies, and make the accounts agree. He then casts up each side of the balance-sheet, and strikes the balance. If the total amount of debits exceeds the total amount of credits, he will have to receive the amount of the difference. If the credits exceed the debits, he will have to pay the difference.

If a banker does not choose to pay a bill or draft brought home from the Clearing-house, it is sent back, and dropped in the drawer of the house by whose clerk it was presented. On the bill or draft is stated the reason for its non-payment: this is usually, "no effects," or "no advice"; sometimes, "not sufficient effects," or "refer to the acceptor." If this draft was delivered, in the first instance, in the morning clearing (that at twelve o'clock), it is usually returned before four o'clock; but in all cases, it must be returned before five o'clock, or else it will not be taken back, and the banker is considered to have paid it. If returned after four o'clock, it is debited and credited on the back of the balance-sheet.

All this is usually done by five o'clock, when the clerks go home for a short time for two purposes: one purpose is, to fetch the money they have to pay; and the other is, to see if their balance on the sheet agrees with the balance of the books at home. At about a quarter or half-past five they return, and any clerk who has money to pay, pays it to any clerk who has money to receive. It is common, however, for three or four clerks to form a sort of club, and pay principally among themselves. Hence, when one member of the club has money to pay, he will pay it to some member of the same club who has money to receive, in preference to paying it to any one else; by this means his friend obtains his money earlier than he otherwise might, and gets off sooner. It is obvious that all the money that is to be paid must be equal to all the money that is to be received. If this should not appear to be the case, there must be some error; and the Clearing-house is then said to be wrong. Two inspectors are appointed with salaries, to detect errors of this kind by examining and marking off the sheets. Their signature is also necessary before any money can be paid from one clerk to another.

All the articles in the clearing are entered at home in a book called the Clearing-Book. On the left-hand are entered the bills and drafts upon other bankers. These are called the "clearing-out." On the right-hand are entered the drafts which are drawn upon the house, and which have *come in* from the clearing. These are called the "clearing-in." If the "clearing-out" is a greater sum than the "clearing-in," the clerks say, "the clearing brings in"; that is, the clearing clerk will bring in money from the Clearing-house. In the other case, they say, "the clearing takes out"; that is, he will take out money from the Banking-house to pay away at the Clearing-house. The balance of this book should agree with the clearer's balance-sheet, excepting the differences of the preceding night, which he may have settled. When this is the case, the clearer is right; if not, he is wrong, and he must discover the error. The clearer

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may be wrong through errors made either in his own book at the Clearing-house, or in the Clearing-Book at home. The error at home may be either in the "clearing-in" or in the "clearing-out." If the error be in the clearing-out, it will make the Banking-house wrong; if in the clearing-in, it will not. Suppose, for instance, the clearing-out is wrong, cast £ 1,000 too much, the house will be £ 1,000 over, and the clearer will be £ 1,000 short. But if the clearing-in be wrong, cast £ 1,000 too much, it will not effect the balance of the house, because the Cash-Book will, consequently, be £ 1,000 less; and these two amounts, those of the Cash-Book and the Paid-Day-Book, (into which the amount of the Clearing-In-Book is entered,) are placed on the same side of the trial-paper. But this error will make the clearer wrong. The way in which the clearer discovers his errors is, by marking off his book against the Clearing-Book, and by recasting both the books. An error may have occurred at the Clearing-house. If the clearer has placed a wrong balance on his sheet, or has wrong cast his balance-sheet, the Clearing-house will be wrong, and the inspectors will make it their business to discover the error. But if the clearer has entered an article wrong in his book, and the clerk of the house upon whom the draft is drawn has entered it wrong also, then the Clearing-house will be right, and both these clearers will be wrong; one being as much over as the other is short.

All the articles in the clearing-out must mark against either the journals, the Received Waste-Books, or the Lists. To secure greater accuracy, the clearing-in is entered not only in the regular Clearing-Book, but also in another book by itself, which for distinction is called the Clearing-In-Book. The amount of the clearing-in is entered in the Paid-Day-Book previous to the daily balance. On the following morning, the Clearing In-Book is marked against the debit side of the Ledger, and the Ledger Folio placed against each entry.

No gold, silver, or copper, is taken to the Clearing-house; the differences under £ 5, that may be left between the clerks who receive and pay with each other are carried to account on the following day.

Country notes are not paid at the Clearing-house, but are taken round to the banking-houses, and exchanged for tickets called memorandums, which are passed through the afternoon clearing. The following is the form of these memorandums:—

London, 1st May, 1827.

Due to Messrs. Steady & Co.

One Thousand Pounds.

For Country Notes, to be paid in the clearing of this day.

For Messrs. Hope, Rich & Co.

£ 1,000.

A Clerk.

Drafts that are paid into the Banking-house after four o'clock are taken to the houses upon whom they are drawn "to be marked"; that is, it is asked if these drafts will be paid in the clearing of the next day. If so, one of the clerks *marks* the cheque by placing his initials upon it. If the

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cheque is refused to be marked, it is returned as dishonored, on the following day, to the person who has paid it in. Had it not been sent to be marked, the draft would not have been refused payment until the next day, and it could not be returned to the customer till the day afterwards.

The operations on the Stock Exchange cause a great number of cheques to be drawn on bankers, and thus increase the operations at the Clearing-house.

A person who wants to buy £ 100 consols, gives his order to a broker, and pays him possibly by a cheque on his banker, which the broker takes and pays to his own banker. He then buys the £ 100 consols from a jobber, and pays him by a cheque. The jobber possibly replaces this stock by buying a £ 100 consols from another broker who is ordered by his principal to sell that amount of stock. The jobber gives the broker his cheque upon his banker, and the broker probably will give his principal the produce of the stock by a cheque. No money has passed between the parties, and the result of the whole is, that the buyer of the stock has £ 90 less in the hands of his banker, and the seller has £ 90 more. Four cheques have been drawn, and these have caused transactions with five different bankers. The total number of credit and debit operations in all the banks is eight.

1. The banker of the buyer of the stock pays his cheque through the clearing, and debits his customer.

2. The banker of the broker who buys the stock, credits him with the purchaser's cheque, and debits him for the cheque he gives to the jobber.

3. The banker of the jobber credits him for the cheque he has received from the buying broker, and debits him for the cheque he gives to the selling broker.

4. The banker of the broker who sells the stock credits him for the jobber's cheque, and debits him for the cheque he gives to his customer who is the seller.

5. The banker of the seller credits him for the cheque of the broker, who has sold the stock, and will debit him for any cheque he may draw against it.

Should neither the buyer nor the seller of the stock keep a banker, then only three cheques would be drawn.

Besides these daily transactions arising out of real business, the brokers have large transactions in what are called "time bargains." This is what is usually meant by "gambling in the funds." The parties buy or sell consols against the next settling day. No real purchase or sale is ever intended. When the settling day arrives, the losing party has to pay the difference that has arisen from the fluctuations in the price. A settlement takes place among the brokers in a way somewhat resembling the settling between the bankers at the Clearing-house. All the differences are paid by cheques. A broker may give twenty, thirty, or forty cheques to as many different brokers, and he may receive an equal number from other brokers. All these cheques are paid by the respective bankers through the Clearing-house. Besides settling days for consols, there are also settling days for foreign funds, and for shares in railway companies.

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The differences in these cases are also settled by cheques upon the clearing bankers.

Mr. Thomas, inspector of the Clearing-house, stated to the Bullion Committee, in the year 1810, that the average amount of drafts paid every day at the Clearing-house was £4,700,000; and the average amount of the balance paid in bank notes was £220,000. Sometimes the bank notes brought to the Clearing-house of an evening exceeded £500,000, and on settling days at the Stock Exchange, the amount of drafts paid was above £14,000,000. At that time the Clearing-house had been established thirty-five years, and the number of clearing bankers was forty-six.

The following is a copy of a Clearing Balance-Sheet, and a List of the Bankers who clear. The name of the house to whom each sheet belongs is placed at the top, and is then, of course, omitted in the alphabetical list :—

DEBTORS.				CREDITORS.		
£.	s.	d.		£	s.	d.
			Barclay.			
			Barnard			
			Barnetts			
			Bosanquet			
			Brown			
			Curries			
			Fullers			
			Glyn			
			Hanbury			
			Hankey			
			Jones			
			Lubbock			
			Masterman			
			Prescott			
			Price			
			Roberts			
			Rogers			
			Smith			
			Spooner			
			Stevenson			
			Stone			
			Vere			
			Williams			
			Willis			

The following is the amount of transactions passed through the clearing by each banking-house, during the year 1840 :—

£		£	
107,000,000	Barclay.	8,000,000	Dorrien.
12,000,000	Barnard.	7,500,000	Fullers.
50,000,000	Barnetts.	105,300,000	Glyn.
3,300,000	Bosanquet.	24,000,000	Hanbury.
7,000,000	Brown.	15,000,000	Hankey.
17,500,000	Curries.	104,000,000	Jones.
26,800,000	Dennison.	24,200,000	Ladbroke.

The Clearing-House.

<p>£</p> <p>33,700,000 Lubbock.</p> <p>90,000,000 Masterman.</p> <p>30,000,000 Prescott.</p> <p>15,300,000 Price.</p> <p>80,880,600 Robarts.</p> <p>9,000,000 Rogers.</p> <hr/> <p>16,000,000 Stevenson.</p> <p>64,000,000 Spooner.</p> <p> Smith,</p>	<p>£</p> <p>37,000,000 Stone.</p> <p>10,400,000 Vere.</p> <hr/> <p> Weston.</p> <p> Whitmore.</p> <p>56,000,000 Williams.</p> <p>20,500,000 Willis.</p> <hr/> <p>974,580,000</p>
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The following is an account of the aggregate demands made through the Clearing-house, and the amount of bank notes with which they were discharged, during the year 1839 :—

	Demands.	Bank Notes.		Demands.	Bank Notes.
January . .	£82,762,400	—£6,348,500	August	£87,610,500	—£6,164,900
February . .	76,164,700	— 4,960,200	September	74,237,700	— 5,129,800
March . .	75,879,200	— 5,621,500	October	87,478,200	— 5,706,800
April . .	85,839,200	— 5,836,000	November	81,729,200	— 4,793,100
May . .	80,587,600	— 5,615,000	December	70,833,800	— 4,755,000
June . .	67,413,900	— 5,060,000			
July . .	83,865,200	— 6,284,800		£954,401,600	£66,275,600

A kind of clearing takes place between the Bank of England and some of the London bankers.

Most of the London bankers keep a drawing account with the Bank of England: And when cheques or bills are presented to a banker for payment by the bank, he pays them by a cheque, which is passed to the debit of his account. It is also said that some bankers have an agreement with the bank that no cheque shall be posted to their debit until after three o'clock in the afternoon. Hence, if the bankers draw large cheques in the morning, they can provide for them in the course of the day. This so far resembles a clearing, that no notes pass in settling the daily transactions. But it is merely an arrangement between the Bank of England and each banker individually, and has no reference to any settlement of accounts among the bankers themselves. The following is the evidence on this subject given before the Committee of the House of Commons, by the Governor of the Bank of England, in reply to questions put by Mr. Glyn, a London banker :—

“Mr. Glyn.—Do not the private banks clear with the Bank of England, by the use of cheques upon the Bank of England?—They have the option of doing so.

“That is a substitute for the notes which would be used, and that so far economises the bank-notes?—Yes.

“Does not that observation also apply to joint-stock banks? do not they clear, through the medium of cheques, upon the Bank of England?—Yes; but as far as regards clearing, it is a question between the joint-stock banks and the private bankers.

“But so far as regards the private banks and the Bank of England, the economy of bank-notes between them is carried to the greatest possible extent, inasmuch as the private banks use cheques upon the Bank of England?—Yes.” (Commons, 3266-3270.)

The banks of Newcastle on Tyne adopted a somewhat similar, but a more extensive plan of clearing, through the means of the branch of the Bank of England. The plan was thus described in a letter addressed to me, about two years ago, in reply to my inquiries on the subject :

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“The banks here do not clear. They used to do so, and for that purpose had a room at Messrs. Ridley's bank; but, from some objection raised by Messrs. Lambtons, the system was discontinued.

“They have, however, adopted a plan of exchanges, which, from the facilities granted by the branch bank, answers nearly the same purpose as a clearing, without the expense. I must inform you that they all have drawing accounts with the branch bank, and the plan now adopted is as follows, namely:—

“At two o'clock every day, each bank pays in, to its credit with the branch bank, all bills and cheques on other banks received up to that hour. The amounts so paid in are passed to credit in totals, and the bills and cheques are then sorted into charges upon the respective banks, and presented at their counters by the Bank of England, who receive in payment a cheque upon themselves. So that, in fact, each bank is credited in total with what it pays in, and debited with the cheque given for what it has to pay; thus obviating the necessity of any bank-notes passing.

“This of course gives the branch bank some trouble, and they therefore strictly confine the facility to those banks issuing Bank of England paper; and as the Union Bank issues its own paper, it is consequently excluded, and is obliged to exchange separately with the other bankers.”

Several of the bankers at the West-end of London keep an account with a City bank. They do not, however, in all cases pass the whole of their transactions through the Clearing-house. They pay and receive with the clearing bankers individually, and sometimes leave their unpaid bills with their city agent. They occasionally pay into the City bank the cheques they may have on the clearing bankers, and on the other bankers too.

The stock-brokers usually write across every cheque they draw, the name of the banker of the party in whose favor it is drawn; and if they do not know the name of the banker, they write “——— & Co.” The banker on whom it is drawn will then pay it only in the clearing. If a broker intends a cheque to be paid in bank notes across the counter, he writes on it the word “cash”; such cheques are given only to persons who do not keep bankers.

Many persons now cross the cheques they draw with the name of a banker, to guard against fraud in case the cheques should be lost or stolen. The cheque can then only be paid to the banker whose name is on the cheque. If it be crossed with the names of two bankers it will be refused payment to either, unless the matter be satisfactorily explained.

Clearing bankers never make payments to each other, except through the clearing.

The effects of the clearing-house are thus described by Mr. M'Culloch, in his *Commercial Dictionary*:—

“By far the largest proportion both of the inland bills in circulation in the country, and also of the foreign bills drawn upon Great Britain, are made payable in London, the grand focus to which all the pecuniary transactions of the empire are ultimately brought to be adjusted. And in order still further to economise the use of money, the principal bankers of the metropolis are in the habit of sending a clerk each day to the Clearing-house in Lombard Street, who carries with him the various bills in the pos-

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session of his house, that are drawn upon other bankers; and, having exchanged them for the bills in the possession of those others that are drawn upon his constituents, the balance on the one side or the other is paid in cash or Bank of England notes. By this contrivance the bankers of London are enabled to settle transactions to the extent of several millions a day, by the employment of not more, at an average, than £200,000 to £300,000 of cash or bank-notes.

“In consequence of these and other facilities afforded by the intervention of bankers for the settlement of pecuniary transactions the money required to conduct the business of an extensive country is reduced to a trifle only, compared with what it would otherwise be. It is not, indeed, possible to form any very accurate estimate of the total saving that is thus effected; but, supposing that fifty or sixty millions of gold and silver and bank-notes are at present required, notwithstanding all the devices that have been resorted to for economizing money for the circulation of Great Britain, it may, one should think, be fairly concluded, that two hundred millions would, at the very least, have been required to transact an equal amount of business, but for those devices. If this statement be nearly accurate, and there are good grounds for thinking that it is rather under than over-rated, it strikingly exhibits the vast importance of banking in a public point of view. By its means fifty or sixty millions are rendered capable of performing the same functions, and in an infinitely more commodious manner, that would otherwise have required four times that sum; and, supposing that twenty or thirty millions are employed by the bankers as a capital in their establishments, no less than 120 or 130 millions will be altogether disengaged, or cease to be employed as an instrument of circulation, and made available for employment in agriculture, manufactures, and commerce.”

SECTION III. — THE JOINT-STOCK BANKS IN LONDON.

LONDON is the head-quarters of several joint-stock banks, who conduct their business operations in the provinces, in Ireland, or in the colonies. But we purpose here to notice only those joint-stock banks who carry on business as London bankers. These are five:—The London and Westminster Bank; the London Joint-Stock Bank; the Union Bank of London; the Commercial Bank of London; the London and County Banking Company.

I. — *The London and Westminster Bank.*

I. *Its History.* — In the Act for renewing the Bank of England Charter, passed in 1833, it was declared to be the law, that companies or partnerships consisting of more than six persons might carry on the business of banking in London. Immediately after the passing of this Act, a prospectus was issued, proposing to form the London and Westminster Bank. The shares, however, were taken up but tardily, and the bank did not commence business until March 10th, 1834, and then only with a paid-up capital of £50,000, and of this capital a large portion is said to have been subscribed by shareholders who resided in the country.

As the Bank Charter Act did not prescribe the way in which companies of more than six persons were to sue or be sued, the directors of the London and Westminster Bank brought a bill into Parliament, in the session of 1834, to authorize them to sue and be sued in the names of their public officers, in the same manner as those banking companies that were locat-

ed beyond sixty-five miles from London. This bill was carried by large majorities through the House of Commons, although opposed by the influence of the Bank of England, and by Lord Althorp, then Chancellor of the Exchequer. The bill, however, was lost in the Lords. In consequence of this failure, the bank followed the plan of suing and being sued through the medium of trustees.

Previous to the commencement of business, the directors applied to the Committee of Private Bankers for admission to the Clearing-house. This was refused. The directors also applied for permission to have a drawing account at the Bank of England. This, too, was refused.

Notwithstanding these difficulties, the bank continued to advance, and, by the date of the First Annual Report, March 4th, 1835, the paid-up capital, increased by two calls of £ 5 each upon the shareholders, amount to £ 241,945.

At the commencement of the year 1835, the Bank of England instituted legal proceedings to prevent the London and Westminster Bank accepting bills drawn at less than six months after date. Supported, however, by the legal opinions of Sir John Campbell, Sir William Follett, and Mr. Peinberton, the trustees continued to accept such bills, and resisted the proceedings of the Bank of England.

By the end of December, 1835, the number of shares issued had increased to 17,818. Soon afterwards the directors made a fourth call of £ 5 per share, payable the following April. This made £ 20 paid upon each share, and the whole paid-up capital exceeded £ 400,000. The dividend on the year ending December, 1835, was at the rate of 4 per cent.

At the commencement of the year 1836, the bank extended its branches. In addition to the branch at Waterloo-place, Pall Mall, opened on the same day as the head office in Throgmorton Street, the bank opened, on the 4th of January, a branch at 213 High Holborn, and another at 87, Whitechapel; and on the 29th of February, another was opened in Wellington Street, Southwark. In the following June a branch was opened at 155 Oxford Street. In this year the bank obtained a large accession of country business, in consequence chiefly of the formation of a great number of new joint-stock banks throughout the country. In this year, too, the directors issued 9,333 shares at a premium of £ 4 10s. per share, by which the sum of £ 41,998 10s. was realized as premiums. The total paid-up capital on December 31st, 1836, amounted to £ 597,225, on which a dividend was paid at the rate of 5 per cent.

In the beginning of the year 1837, the suit brought by the Bank of England was terminated, by the Master of the Rolls granting an injunction to restrain the London and Westminster Bank from accepting bills at less than six months after date. The country joint-stock banks then adopted the practice of drawing upon the London and Westminster Bank "without acceptance," in the same way as the Bank of Ireland draws upon the Bank of England. No practical difficulty was experienced, and the London and Westminster Bank lost none of its connections in consequence of this adverse decision. At the end of the year the directors declared the usual dividend of 5 per cent.

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On the 26th of December, 1838, the bank removed its business from No. 38 Throgmorton Street, to their new building in Lothbury. In the report delivered in March, 1839, the directors refer in the following terms to the then condition of the bank:—

“The pleasure which the directors feel in making their Fifth Annual Report is augmented by the circumstance of its being delivered to the proprietors in their own building, an event that seems to justify a glance at the past history of the bank.

“When the directors consider, that during the five years of the existence of this establishment, they have had to contend against the fears and prejudices of the public mind, the uncertainties and the intricacies of the law, and the opposing influence of existing interests; and that this conflict has been carried on in seasons of great commercial embarrassment, and under circumstances of peculiar difficulty; and that, amid all these disadvantages, they have nevertheless acquired a paid-up capital of nearly six hundred thousand pounds, between eight and nine hundred respectable proprietors, a large and increasing business in London, and a country connection that embraces one hundred and fifty banks and branches, they do feel that the result of the first experiment of establishing a joint-stock bank in London has been highly satisfactory, and that the confidence they expressed in their First Annual Report has been abundantly confirmed.”

The same report makes the following allusion to the other joint-stock banks established in London:—

“It may be expected that some notice should be taken in this report of the extension of the system of joint-stock banking in London. This will not, in the opinion of the directors, militate against our interests, as those principles, which we were the first to advocate, will be thus more widely disseminated. Hence all banking companies that may be respectably and honorably conducted will be regarded by this bank, not as rivals, but as allies. At the same time, the shareholders should bear in mind, that as joint-stock banks multiply in London, each bank will have to depend mainly upon the support of its own proprietary. And the London and Westminster Bank having been first in the field, ought not to suffer itself to be passed in the course by later and more youthful competitors. But if the exertions of our shareholders be at all proportionate to their numbers, their wealth, and their respectability, the London and Westminster Bank will not only have the honor of being the first joint-stock bank in London in the order of time, but in other respects also will be enabled to maintain the preëminence.”

In March, 1840, the dividend was raised to 6 per cent. upon the profits of the preceding year; and this rate has since been constantly maintained. In 1841 the directors issued ten thousand of the unappropriated shares at par to the existing shareholders, in the proportion of one new share to the holder of three shares. This raised the number of shares issued to 40,000, and the paid-up capital to £800,000. In February, 1842, the bank opened a drawing account with the Bank of England.

In the report delivered March, 1841, the directors observe,—“During the past year the banking institutions of the country have occupied a large portion of public attention. The directors trust that the events and dis-

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cussions that have taken place will have the effect of diffusing a correct knowledge of the principles of joint-stock banking, and that institutions like the London and Westminster Bank will be allowed to exercise the same legal rights and privileges which are accorded to other banking establishments." In the same year, Mr. Gilbart, the general manager, was examined for four days before a Select Committee of the House of Commons, at the request of a meeting of deputies from the joint-stock banks. In the report of March, 1844, we read,—“As the speech from the throne has called the attention of Parliament to ‘the state of the law with regard to the privileges of the Bank of England and to other banking establishments,’ the directors have coöperated with the representatives of other joint-stock banks in bringing under the consideration of the Government the defects of the laws relating to banking companies, which they feel sure the Legislature will not refuse to remedy.” In this year the bank obtained the power to draw, accept, or indorse any bills of exchange not payable to bearer on demand; and immediately commenced accepting the bills drawn by its country connections, and issuing circular letters of credit for the use of travellers and residents on the continent. In the same year the bank obtained the power of suing and being sued in the names of its public officers, and accordingly registered the names of its trustees for that purpose.

In addition to the usual dividend of 6 per cent., the directors gave in March, 1847, a bonus of 2 per cent out of the profits of the preceding year. At the same time they announced the distribution of the remaining ten thousand unappropriated shares at par among the existing shareholders, in the proportion of one new share to every four shares previously held. This raised the paid-up capital of the bank to *one million sterling*.

On the 31st of December, 1847, Messrs. Young & Sons (formerly Messrs. Westoll & Young), of Southwark, retired from business, and the customers of the bank, according to the wishes of Mr. Young, transferred their accounts to the Southwark Branch of the London and Westminster Bank.

At a general meeting held on the 1st of March, 1848, the report announced that, with the exception of outstanding instalments amounting to £3,273, the paid-up capital of the bank was one million sterling. A dividend at the usual rate of 6 per cent. was declared, and £4,223 4s. 10d. was added to the surplus fund.

The chairman stated that, in the week preceding the letter of the Government suspending the act of 1844, the bank had sold Government securities to a large amount, which could not afterwards be replaced but at an advanced price. The loss thus occasioned amounted to nearly £20,000. The following is the paragraph in the report referring to this subject:—

“From the severe pressure on the money market during the latter part of the year, it was deemed advisable to realize some portion of our Government securities; and although the profits of the year have, consequently, been curtailed, yet the directors feel assured that the liberality which they were thus enabled to exercise towards its customers will tend

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to the advantage of the bank. The whole of the stock that was sold has since been replaced."

At this meeting the proprietors recommended to the directors that the general meetings should be held half-yearly, and that the first meeting should be held earlier in the year. The directors accordingly called a special meeting on the 19th of July, for the purpose of receiving a half-yearly report, and for making such alterations in the deed of settlement as would enable the proprietors to meet on the third Wednesday in January, instead of the first Wednesday in March. The result of this resolution is, that the annual general meeting of the bank will in future be held, under the deed, on the third Wednesday in January, and a half-yearly meeting may be called specially by the directors either on the third Wednesday in July, or on any other day, whenever it shall be deemed necessary or expedient.

From this half-yearly report it appeared, that, from losses in the previous year, it had become necessary to take £5,161 3s. 1d. from the surplus fund to make up the half-yearly dividend. But in the second half-year the profits exceeded the dividend by £7,237 3s. 2d., making on the whole of the year 1848 an addition to the surplus fund of £2,076 0s. 1d., after paying the dividend of 6 per cent. on the increased paid-up capital of £1,000,000.

II. *Its Principles.* — At the time the London and Westminster Bank was announced, it was contended by the advocates of the previous system that the principles of joint-stock banking were wholly inapplicable to the wants and habits of the population of London. Had the founders of this bank possessed zeal without discretion, they would probably have disregarded the peculiarities of the field of their operations, and have adopted entirely the system of banking so long acted upon in Scotland. They seem, however, to have combined the enlightened views of statesmen with the caution and practical knowledge of men of business. Hence, they followed or discarded the principles of Scotch banking according as they found them adapted, or otherwise, to the local circumstances of the London population. They seemed not so anxious to introduce a new system of banking, as to guard against the imperfections of the one previously in existence. From the original prospectus and other documents issued by the company, we learn that the following principles were those ultimately adopted.

1. That the bank should consist of an unlimited number of partners. This is essential to its character as a joint-stock bank. It was ascertained that within the previous twenty years about twenty private banking houses had stopped payment in London; that by most of these failures the public had sustained considerable losses, and that great difficulties and embarrassments had been occasioned by the interruption to business and the want of confidence which these failures had occasioned. A bank composed of several hundred partners, all of whose property would be answerable for its obligations to the public, seemed the most effectual way of preventing the recurrence of these evils. To show the strength of the company and the extent of the confidence to which they are entitled, a list of the shareholders is published with the annual report of the directors.

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Since the Act of 1844, these names have also been published at the commencement of each year in a Supplement to the *Royal Gazette*. The following is an analysis of those published in the year 1847:— Spinsters, 140; married women, 16; widows, 66; clergymen, 34; medical men, 13; naval and military officers, 45; solicitors, barristers, and writers to the signet, 9; men of title, 12; gentlemen and others, 731: making a total of 1,066. These are resident as follows:—

In London, and within fifteen miles thereof, 675	In Ireland, 11
In other parts of England, 320	In other countries, 18
In Scotland, 42	Total, 1,066

2. A second principle adopted was, that the bank should have a large paid-up capital.

It was observed that the London bankers did not carry on business with their own capital, but merely upon their credit: they were supposed to be men of property, and, in some cases, this supposition constituted the whole of their working capital. Hence, in some instances, London bankers had stopped payment who were perfectly solvent; but their property was not engaged in their business, and could not suddenly be realized to pay their debts. To obviate these inconveniences, to be prepared at all times for a withdrawal of its deposits, to be able to give adequate accommodation to its customers, and to support public confidence in seasons of extreme pressure, a large paid-up capital was deemed requisite. No idea seems to have been entertained of remaining satisfied with a small capital in order to pay larger dividends. The directors do not appear to have regarded themselves as mere agents, employed to obtain the most rapid return for a sum of money; but they acted as the founders of an establishment destined to take a high rank among the national institutions of the country. The capital of the bank was fixed at £ 5,000,000 sterling, divided into 50,000 shares of £ 100 each. All these shares are in the hands of the partners, and the paid-up capital of the bank is thus £ 1,000,000, with a power in the directors of calling up an additional sum of £ 4,000,000 sterling.

3. It was observed that the London private banks were adapted only for the rich. An indispensable condition of having an account was that a certain sum should be kept unproductive in the banker's hands. Thus the middle class of society, who had the means of employing the whole of their capital in their respective occupations, were altogether excluded from the advantages of banking. To remedy this defect, the London and Westminster Bank determined to open accounts with persons who had not the means of keeping large balances unemployed, but who were willing to pay the bank a small commission for conducting their accounts. The principle of commission is not practised in Scotland with regard to current accounts, as the banks look for payment chiefly by the issue of their notes. In this country the principle is adopted in the provinces, and even by the London bankers in regard to their country accounts. The application of this principle to London accounts was an improvement introduced by the London and Westminster Bank, and it brought the ad-

vantages and conveniences of banking within the grasp of a large class of the community to whom they were previously denied. The expense of keeping a banking account was also reduced by the prohibition of presents or Christmas boxes to the clerks. Although the system of Christmas boxes is sanctioned by the Bank of England as well as by the private bankers, it is, we consider, a practice more honored in the breach than in the observance. Whether these presents are regarded as taxes upon the customers, or as charitable donations to the clerks, they were deemed to be equally objectionable.

4. A further attempt was made to popularize the system of banking in London, by allowing interest upon small sums of money lodged on deposit receipts. All the witnesses examined before the Parliamentary Committees of 1826 had borne testimony as to the beneficial effects of this system in Scotland. And although the London and Westminster Bank, not being a bank of issue, could not regard these small deposits as an instrument of increasing its circulation of notes, yet it was thought that the system might be rendered a source of profit to the bank, and certainly an advantage to the community. The savings banks could receive no more than £ 30 from a depositor in each year, and only £ 150 in the whole. Those parties who had further sums they wished to deposit in a place of security upon the principle of receiving interest on the sums thus lodged, were provided with such a place in the London and Westminster Bank. Sums from £ 10 to £ 1,000 are received on deposit, and interest allowed at a known rate, and they are at all times repayable upon demand without notice.

The London and Westminster Bank have not adopted the system of cash credits as practised in Scotland. These credits are valued by the Scotch banks chiefly as an instrument for the issue of their notes; and it may be questioned whether the system can be rendered a source of profit to a non-issuing bank without imposing heavy charges in the form of interest and commission upon the customers.

5. While, however, the founders of the bank were thus regardful of the industrious classes of the community, they were not inattentive to the interests of the wealthy. Professional men, merchants, and gentlemen of fortune have often large sums of money in their hands for a short time, waiting favorable seasons of investment. For these sums the private bankers would allow no interest. The London and Westminster Bank determined to take temporary or permanent lodgments of sums of £ 1,000 and upwards, upon special agreement as to the rate of interest and time of repayment. The rate of interest is usually governed by the state of the money market, and the principal is repaid at a fixed time, or at a few days' notice, as may be agreed upon. Parties may lodge money upon an interest account who have no current account, and those who have current accounts may transfer any portion of their balance to an interest account; but the bank allows no interest on the balance of a current account. It is considered that a large portion of the fluctuating balance of a current account must be kept in the till to meet the daily cheques drawn by the customers; that the remainder must be invested in the most available, and therefore the least productive securities; and that considerable

expense is incurred by books, cheques, salaries, &c., in conducting these accounts; and hence that the bank could not afford to grant any rate of interest which it would be worth while for the customers to receive. A person, therefore, may have two accounts, — a current account, and a deposit account. Upon one he receives interest, upon the other the receives none. The London and Westminster Bank think it better to keep these two accounts distinct, than to adopt any system of amalgamation.

6. Another principle of the bank — not announced in the prospectus, but adverted to in some of the Annual Reports — is that of keeping a large portion of its funds at all times in a convertible state. In the Report of March, 1839, the directors state, "Although a low rate of interest prevailed during the last year, the directors did not allow the desire of making large profits to tempt them into advances upon inferior securities, or to lock up their funds in inconvertible investments; they feel assured, that any departure from sound principles in banking, even when attended with *immediate* profit, must always *result* in loss to the proprietors, and danger to the establishment." Again, in the Report delivered in March, 1844, we read, "Throughout the whole of last year money was exceedingly abundant, and, consequently, cheap. But although a low value of money affects most severely those banks that have the largest paid-up capital, and which have been so managed as to retain the full command of their funds, yet the directors did not suffer the desire of obtaining a higher rate of interest to betray them into advances upon doubtful or inconvertible securities." In conformity with this principle, we find, from the account of assets and liabilities attached to the Annual Reports of the directors, that the amount invested in Government securities is considerably more than the whole capital of the bank. The propriety of such a course must have been abundantly evident during the existence of the bank, for it would be impossible to find so many "pressures" on the market, or so much fluctuation in the value of money, within any similar period in the history of banking. It may be presumed that the directors spoke from their own experience, when they stated in their Report of March, 1840, "The years 1837 and 1838 were remarkable for the abundance and cheapness of money, and the year 1839' for scarcity and pressure. Neither of these extremes is favorable to large banking profits: a state in which money is easy without being abundant, and valuable without being scarce, is most conducive to the welfare of both the banking and the commercial interests of the country."

7. The last principle we shall mention as adopted by the London and Westminster Bank is the system of branches.

This system, to the extent to which it is now carried, does not seem to have been contemplated by the original founders of the bank. The first prospectus announced merely that a bank would be established in the City, with a branch at the West-end of the town. But a power to establish other branches was inserted in the deed of settlement, and it was soon observed, that, from the increasing extent and business of London, there were districts which were inadequately supplied with banking accommodation. In these districts the inhabitants were compelled either to forego all banking facilities, or to submit to the inconvenience of keeping their

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account with a bank at a distance from their habitation. It was to meet the public wants, more, perhaps, than with any sanguine expectation of reaping any large amount of immediate profit, that the directors extended their branches. Peradventure, too, it was feared that unless the London and Westminster Bank occupied these districts, the inhabitants might be induced to form among themselves small joint-stock banks with inadequate capital, and thus have impaired the respectability of the system. In one instance this in fact actually occurred. The mode of conducting business is the same at the branches as at the City-office. A customer's cheque can be paid only at the branch on which it is drawn, but he may have money placed to his credit with that branch at any of the other establishments. Those country notes that are made payable at the London and Westminster Bank, are, as matter of courtesy, paid at any of the branches. Each branch makes both daily and weekly returns of its transactions, which are laid before the directors; and the affairs of all the branches are subjected to the personal inspection of the general manager: at the same time all the arrangements tend to localize the branches, so as to give them as much as possible the character of independent banks. The managers are selected for their experience in banking, and they give immediate replies to the inquiries of both their customers and the public. They are ready to afford every facility to the parochial and other authorities, in conducting the financial arrangements of the districts. They allow the same rate of interest on deposits which is allowed at the City-office: and in making advances or discounts, they are not restricted to the amount which their own funds can supply. Thus each district has, in a branch bank, all the advantages that could be derived from an independent local bank, combined with the additional security and accommodation to be obtained from a more extended and wealthy establishment.

Most of the branches have, since their establishment, transferred their business to other premises.

The Westminster Branch was opened on the 10th of March, 1834, at No. 9, Waterloo-place, Pall Mall, and was removed to its present premises, No. 1, St. James's-square, on the 30th of December, 1844.

The Bloomsbury Branch was opened on the 4th of January, 1836, at No. 213, High Holborn; and the adjoining house, No. 214, was added for transacting business with the public on the 1st of October, 1838.

The Southwark Branch was opened on the 29th of February, 1836, at No. 12, Wellington-street, in the Borough, and was removed to No. 3, in the same street, on the 26th of December, 1839.

The St. Marylebone Branch was opened on the 15th of June, 1836, at No. 155, Oxford-street, and was removed to No. 4, Stratford-place, Oxford-street, on the 23d of April, 1844.

Though the system of branches appears to be an extension of the original views of the Directors, yet the principles on which the business is conducted have undergone no change. It is a proof of the consideration and practical knowledge brought to bear upon the subject, in the first instance, that no alteration or improvement has since been found necessary. The success of the company has been attributed more to the general approbation with which these views have been received than to any extended

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system of private solicitation. This, if correct, must be the more gratifying to the directors, as the prosperity of the bank is thus a public homage to the soundness of its principles.

III. *Its Government.* — The government of the bank is in a board of directors, consisting of not fewer than twelve members. Three go out annually by rotation, but are eligible for reëlection. The present number is fifteen, but it can be increased at any time by a vote of the general meeting of proprietors. There is no governor, or deputy-governor, or permanent chairman. Five of the directors are trustees, and are also registered as the public officers of the company, in whose names, or any one of them, the bank may sue and be sued. The payment of the directors is fixed by the shareholders at their general meetings. This sum was voted annually until the year 1839. Up to that year inclusive the annual profits are stated in the reports before the payment to the directors is deducted. In subsequent years these payments are deducted first, and the profits are announced "after defraying the whole expense of management, including payment to directors."

By the resolutions of the general meetings appended to the Annual Reports, it appears that the first payment to the directors was a sum of £2,500, voted at the general meeting in March, 1836, for the services rendered in the two preceding years. In subsequent years, the payment was £2,500 annually, until March, 1847, when the sum of £4,500 was voted for the year 1846, and the same amount was to be continued in each future year.*

A Table, showing the amount of Paid-up Capital, Annual Profits, Dividends, and Surplus Fund, of the LONDON AND WESTMINSTER BANK, on the 31st of December in each Year, from the Opening of the Bank.

Date.	Paid-up Capital.	Profits of the Year †			Dividends.			Surplus Fund.		
	£	£	s.	d.	£	s.	d.	£	s.	d.
1834	182,255	3,540	6	6	2,334	18	1	1,205	8	5
1835	267,270	11,520	10	0	10,818	12	0	1,907	6	5
1836	597,255	32,483	14	1	29,864	0	0	4,527	0	6
1837	597,280	32,404	10	8	29,864	0	0	7,067	11	2
1838	597,280	43,635	12	11	29,864	0	0	20,839	4	1
1839	597,280	48,098	3	0	33,836	16	0	33,100	11	1
1840	597,280	48,951	8	10	35,836	16	0	46,215	3	11
1841	786,300	51,300	0	9	41,507	8	0	56,007	16	8
1842	800,000	55,118	14	2‡	48,000	0	0	63,126	10	10
1843	800,000	51,696	5	7	48,000	0	0	66,822	16	5
1844	800,000	51,081	18	11	48,000	0	0	69,904	15	4
1845	800,000	66,344	1	0	48,000	0	0	88,248	16	4
1846	800,000	72,175	15	9	48,000	0	0 }	98,424	12	1
(Bonus)	...	...			16,000	0	0 }	...		
1847	988,882	58,223	4	10	54,000	0	0	100,647	16	11
1848	998,768	62,076	0	0	60,000	0	0	102,723	16	11
Totals,	998,768	688,650	7	0	585,926	10	1	102,723	16	11

* The above article was prefixed to a volume of the Reports and other public documents printed (not published) in 1847, under the title of "A Record of the Proceedings of the First Thirteen Years of the London and Westminster Bank, with Portraits of its Principal Officers."

† These are the net profits after making all deductions, including the payment to directors, the income-tax, and £1,000 towards the preliminary expenses.

‡ This amount includes a sum of £1,336 arising from premiums on shares sold.

The London and Westminster Bank.

Mr. James William Gilbart has been the General Manager of the Bank from its commencement. He was previously the manager of the Waterford Branch of the Provincial Bank of Ireland.

The Prospectus of the Bank, January 1, 1849 :—

LONDON AND WESTMINSTER BANK.

Established 10th March, 1834,—under the Act of Parliament, 3 & 4 Will. IV. c. 98,—and Registered under the Act 7 & 8 Vict. c. 113.

DIRECTORS.—Henry Bosanquet, Esq.; Henry Buckle, Esq.; Frederick Burmester, Esq.; John Garratt Cattley, Esq.; Thomas Chapman, Esq., F.R.S.; James Denis de Vitre, Esq.; Joseph Esdaile, Esq.; Thomas Farncombe, Esq., Ald.; Charles Gibbes, Esq.; William Haigh, Esq.; George Hanson, Esq.; Henry Harvey, Esq., F.R.S.; David Salomons, Esq., Ald.; John Stewart, Esq.; Joshua Walker, Esq.

TRUSTEES AND REGISTERED PUBLIC OFFICERS.—Henry Bosanquet, Esq.; Frederick Burmester, Esq.; Joseph Esdaile, Esq.; Charles Gibbes, Esq.; Henry Harvey, Esq.

GENERAL MANAGER.—James William Gilbart, Esq., F.R.S.

City Office.—Lothbury; W. T. Henderson, Manager.

Westminster Branch.—1, St. James's-square; Oliver Vile, Manager.

Bloomsbury Branch.—214, High Holborn; William Ewings, Manager.

Southwark Branch.—3, Wellington-street, Borough; Edward Kingsford, Manager.

Eastern Branch.—87, High-street, Whitechapel; W. D. Asperne, Manager.

St. Marylebone Branch.—4, Stratford-place, Oxford-street; George M. Mitchell, Manager.

The capital of the bank is £5,000,000 sterling, in 50,000 shares of £100 each. The sum of £20 has been paid on each share, so that the paid-up capital is £1,000,000 sterling. This presents the most perfect security to the public, and gives the bank the most ample means for affording to its customers every reasonable accommodation.

The bank has above eleven hundred partners, whose names are registered at the Stamp Office, and are printed with the Annual Report of the Directors. The advantage obtained by a joint-stock proprietary is, that those partners who are customers to the bank participate in the profits made by their own accounts.

Current accounts are received on the same principles as those observed by the London bankers. Every person connected with the establishment signs a declaration of secrecy as to the accounts of individuals. No Christmas boxes or other gratuities are allowed to be taken by the officers of the bank.

Parties who are desirous of having current accounts, without being under the necessity of keeping a balance, are charged a small commission, proportionate to the amount of their transactions. This extends the advantage of a banking account to parties having moderate incomes, or who in the course of their business find ample employment for their capital.

Sums from £10 to £1,000 are received on deposit, at a rate of interest to be fixed at the time, and they are repayable upon demand, without notice. For these sums receipts are granted, called deposit receipts. By allowing interest for small sums, the benefit of the deposit system, as practised in Scotland, is extended to all classes of the community.

Sums of £1,000 and upwards are also received on deposit receipts, upon such terms as may be agreed upon, with regard to the rate of interest and the time of repayment. Trustees, and others who have money which they cannot immediately employ, may thus obtain an interest for it until an opportunity occurs for its permanent investment. Parties may lodge money upon an interest account who have no current account, and those who have current accounts may transfer any portion of their balance to an interest account.

Circular notes and letters of credit are issued for the use of travellers and residents on the Continent and the United States. These notes are payable at every important

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place in Europe or in the United States, and thus enable a traveller to vary his route without inconvenience. No expense whatever is incurred, and when cashed no charge is made for commission. These notes may be obtained at the City-Office in Lothbury, or at any of the branches.

The bank takes the agency of joint-stock banks, private bankers, and other parties residing at a distance. By the Act 7 & 8 Victoria, c. 32, this bank obtained the right of accepting bills drawn at a less period than six months after date, and by the Act 7 & 8 Victoria, c. 113, it acquired the privilege of suing and being sued in the name of any one of its registered public officers.

II. — The London Joint-Stock Bank.

The Joint-Stock Bank was formed in the year 1836. That year was one of great excitement in favor of the principle of joint-stock banking both in London and in the country. The shares of the new bank were readily taken by a very respectable proprietary, most of whom were resident in London. The bank had also from its commencement the advantage of an influential commercial directory. A new feature in London banking was announced. The bank agreed to allow interest at 2 per cent. on the minimum balance of a current account. At the end of each month interest was allowed on the lowest balance that had appeared to the party's credit at the close of any day during the month. Previous to the commencement of business, the bank engaged as manager Mr. George Pollard, who had for many years been the chief clerk in the private bank of Messrs. Williams, Deacon, & Co.

The capital of the bank was fixed at £ 3,000,000, divided into 60,000 shares of £ 50 each.

The bank was opened on the 21st of November, 1836, at temporary offices in Coleman-street. The shares subscribed for, and upon which the deposit of £ 2 per share had been paid, then exceeded £ 30,000. Soon afterwards the bank removed to their present premises in Prince's-street.

The first annual meeting of the proprietors was held on the 13th of December, 1837, at the bank premises in Princes-street. The number of shares on which the £ 2 deposit and the first call of £ 5 per share had been paid was then 31,080, making a paid-up capital of £ 217,560. Upon this capital a dividend was declared at the rate of 4 per cent. and £ 2,932 0s. 9d. carried to the credit of "the Guarantee Fund."

In the year 1838 the directors made a call of £ 3 a share, payable the 21st of May, 1838, which increased the paid-up capital to £ 10 a share. And in this year the dividend was raised to 5 per cent.

At the meeting in June, 1839, the directors stated that the deed of settlement required all the effects of the bank to be taken strictly at the market value of the day on which the accounts are made up. The half year's profits were consequently lower, from the exchequer bills held by the bank being valued at their then low price in the market.

It was resolved at this meeting that the time of balancing the books of the company be in future the 30th day of June and the 31st day of December in each year, instead of the 20th day of May and the 20th day of November; and that the half-yearly meetings of the company be in future held in the months of January and July.

The London Joint-Stock Bank.

At the general meeting held on the 11th of January, 1840, the directors announced their intention to issue 12,432 of the reserved shares, in the proportion of two to every five held by each shareholder. The shares were issued at £1 premium, and these premiums were added to the guarantee fund. At the meeting on the 11th of July, 1840, the report stated that out of these 12,432 shares, 12,254 had been claimed, and the remaining 178 had been sold on account of the bank at a premium of £3 each. The report further stated, that "the manager, Mr. Pollard, having claimed for his nominees the 1,000 shares at par to which they were entitled by his agreement when originally engaged, the same have been issued to them, which increases the number of paid-up shares entitled to participate in the present dividend to 32,080."

In the latter end of the year 1840, Messrs. Wright & Co., a very old banking-house, having many connections among the Roman Catholics, stopped payment. The London Joint-Stock Bank determined to open a branch at the West-end of London, and appointed two of Mr. Wright's partners to be their managers.

The directors made the following announcement of this event to the shareholders at the meeting held the 13th of January, 1841 : —

"Circumstances having occurred which appeared to present a favorable opportunity to establish another joint-stock bank in the western part of the metropolis, the directors resolved to open a branch of this bank in the premises recently occupied by Messrs. Wright & Co., No. 6, Henrietta-street, Covent-garden.

"Business was commenced at the branch in question, which is called 'The Western Branch of the London Joint-Stock Bank,' on Saturday the 5th ultimo, and the directors have every reason to expect that it will materially contribute to the prosperity of this establishment."

At the same meeting the directors announced their intention to issue the remainder of their shares : —

"On reference to the statement of assets and liabilities, the proprietors will perceive that the number of shares has been increased, by the issue of reserved shares during the past year, to 44,512 ; and the directors are of opinion that the time has now arrived when it is expedient to complete the number originally contemplated, by the issue of the remainder, which they have accordingly resolved to do.

"As the directors have learned, with much satisfaction, that the principle adopted on the former occasion was very generally approved of, they have decided, in the present instance, to follow the same plan, as nearly as possible, by issuing at a premium of £1 each, one for every three shares held by the present proprietors, and by dividing the payment for the shares into four instalments of £2 10s. each, payable on the 15th of April, 31st of May, 29th of July, and 15th of September next. The premium to be received on the said shares will again be carried to the credit of the guarantee fund.

"There will then remain to complete the number of 60,000 shares the small excess of 651, which will be disposed of by the directors to the best advantage for the benefit of the bank."

At the meeting in July the directors stated that, having been unable to

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agree with the assignees of Messrs. Wright & Co. upon terms for the purchase of the premises in Henrietta-street, and the opportunity offering of obtaining the premises that had recently been occupied by Messrs. Hammersley & Co. (who had also failed) in Pall Mall, the directors determined upon removing the business of their Western Branch to the latter house. The house in Henrietta-street was taken by the Commercial Bank of London, who then opened a Western Branch.

At the general meeting held on the 12th of January, 1842, the directors announced, that the instalments on the last issue of shares having been received, the paid-up capital was £ 589,700, and as they considered it desirable to complete the issue of the whole 60,000 shares, they intended to dispose of the remaining 1,030 to the public. These shares were afterwards sold at a premium of £ 3,025 12s. 6d., which amount was added to the guarantee fund.

At this meeting the dividend was raised to 6 per cent., at which rate it has since remained.

At the July meeting in 1843, the directors announced that, in consequence of the abundance of money and the low rate of interest, the profits were only £ 12,183 17s. 5d., and they had recourse to the guarantee fund for a sum equal to pay the usual half-yearly dividend, at the rate of 6 per cent. per annum, — £ 5,817 2s. 7d.

In January, 1844, the directors took £ 1,529 3s. 4d. from the guarantee fund, to make up the amount of the usual dividend.

At the meeting held in July, 1844, the directors announced a change in their allowance of interest on current accounts. They had come to a resolution in February last, "that on and after the 1st of March, the interest allowed by the bank to customers on their minimum balance be one per cent., except on accounts the monthly minimum balance of which on the average of the half-year shall be under two hundred pounds." £ 1,959 12s. 10d. was taken from the reserved fund to make up the half-yearly dividend.

In January, 1847, the directors announced the following plan for the future regulation of the guarantee fund : —

"In meeting the shareholders at the usual period, the directors have satisfaction in laying before them accounts which show that during the last six months the bank has realized a net profit of £ 31,580 17s.

"The question how this profit ought to be appropriated has necessarily brought under the serious consideration of the directors the present state of the guarantee fund, and the amount to which it should attain in order to carry out fairly the design for which it was instituted. And the result of their deliberations has been a resolution that it will not be expedient that it should at present exceed £ 120,000 except by the accumulation of its own interest, and such sums as may be too small to apply to a bonus. But that at the end of each year, in addition to the dividend of 6 per cent. the surplus profit should be divided among the shareholders, provided such surplus amount to 2s. per share in the capital of the company, otherwise that it should be added to the guarantee fund.

"In accordance with this decision, the board will have on this occasion the pleasure of paying to the shareholders a bonus of 2s. per share, in ad-

The London Joint-Stock Bank.

dition to the usual dividend, and the guarantee fund will then amount to £ 120,117 14s. 3d."

In January, 1848, the directors declared a bonus of 7s. 6d. a share, in addition to the usual dividend of 6 per cent. ; after sustaining a loss of £ 6,000 by the defalcation of one of their clerks on the establishment of the Western Branch.

In January, 1849, the directors declared a bonus of 7s. a share, in addition to the usual dividend of 6 per cent.

A Statement of the Paid-up Capital, Profits, Dividend, and Surplus Fund, of the LONDON JOINT-STOCK BANK, on the 31st December in each Year.

Date.	Paid-up Capital.	Profits of the Year.			Amount of Dividend.			Surplus Fund.		
	£	£	s.	d.	£	s.	d.	£	s.	d.
1837	217,560	11,634	8	9	8,702	8	0	2,932	0	9
1838	310,800	21,243	12	6	13,209	0	0	10,966	13	4
1839	310,800	27,068	6	10	17,285	11	3	20,749	8	10
1840	445,120	47,922	3	10*	19,148	0	0	49,523	12	8
1841	589,700	61,027	5	4†	28,819	0	0	81,731	18	0
1842	600,000	48,671	19	2‡	36,000	0	0	94,403	17	2
1843	600,000	31,420	16	6	36,000	0	0	89,824	13	8
1844	600,000	37,041	14	4	36,000	0	0	90,856	8	0
1845	600,000	41,440	14	6	36,000	0	0	96,297	2	6
1846	600,000	65,820	11	9	36,000	0	0	120,117 14 3		
(Bonus)	...	...	...	...	6,000	0	0			
1847	600,000	62,131	7	4	36,000	0	0	123,759 1 7		
(Bonus)	...	...	...	...	22,500	0	0			
1848	600,000	62,005	18	11§	36,000	0	0	128,765 0 6		
(Bonus)	...	...	...	...	21,000	0	0			
Totals,	600,000	517,428	19	9	388,663	19	3	128,765	0	6

* This sum includes £ 12,778 8s. 9d. received from premiums on shares sold.

† " £ 14,466 0s. 0d. ditto ditto.

‡ " £ 3,025 12s. 6d. ditto ditto.

§ These annual amounts of profits include the sums applied as interest of the surplus fund.

Prospectus for 1849 :—

THE LONDON JOINT-STOCK BANK.

Head Office.—PRINCES-STREET, MANSION HOUSE.

Western Branch.—69, Pall Mall.

Capital, £ 3,000,000 in 60,000 Shares of £ 50 each.

The business of the bank is conducted on the following principles :—

Accounts of parties, properly introduced, are received agreeably to the present custom of London bankers, with this advantage, that interest is allowed on current accounts kept at the Head Office.

Interest at the rate of £ 1 per cent. per annum will be allowed on the smallest balance which may appear to the credit of each account, kept at the Head Office, at the close of any day during the preceding month : provided the monthly minimum balance, on the average of the half-year, shall not be under £ 200.

Sums of money received on deposit, at such rate of interest, and for such periods, as may be agreed upon, reference being had to the state of the money market ; and, if required, bills or promissory notes, at not less than six months' date, will be delivered to depositors, in lieu of receipts, for sums of not less than £ 100.

The agency of joint-stock, and other country and foreign banks, undertaken on such terms as may be agreed upon.

Investments in, and sales of, all descriptions of British and foreign securities, bul-

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tion, specie, &c., effected, dividends received, and every other description of banking business and money agency transacted.

The board of directors meets weekly, when a full statement of the affairs of the bank is laid before them.

Circular Letters of Credit granted on the Continent, and on the chief commercial towns of the world.

January 18th, 1849.

III. — *The Union Bank of London.*

The Union Bank of London was formed chiefly by gentlemen who were, by birth or otherwise, connected with Scotland. The capital was fixed at £ 3,000,000 in 60,000 shares of £ 50 each.

The bank adopted the principle of allowing 2 per cent. interest on the minimum balance of a current account : — “ Parties keeping current or drawing accounts will be credited on the first day of every month, on the smallest balance at the credit of their account at the close of business on any day during the past month, provided that such balance shall not be less than £ 100. The total amount of interest will be passed to account every six months.”

The bank was opened on the 4th of February, 1839, at No. 8, Moor-gate-street ; and a branch was opened on the 25th of March following, at temporary offices in Argyle-street, Regent-street, until a bank-house should be erected on the freehold ground which the directors had purchased for that purpose.

Previous to the opening of the bank the directors engaged, as general manager, Mr. William Wilson Scrimgeour, one of the principal officers in the discount department of the Bank of England.

The first meeting of shareholders was held on the 8th of July, 1840. The report stated that on the 30th June the paid-up capital was £ 210,025, being £ 5 per share paid on 42,005 shares, held by 738 proprietors. A dividend was declared at the rate of 5 per cent. ; and, after liquidating a portion of the preliminary expenses, £ 2,000 was set apart as the foundation of a surplus or guarantee fund.

In the Second Annual Report, made to the general meeting of proprietors the 12th of July, 1841, the directors stated they had made an additional call of £ 5 per share, which had been most promptly responded to by the proprietors ; and the paid-up capital then amounted to £ 422,700.

The report also stated that, a favorable opportunity having offered itself for opening a branch at Charing-cross, the directors availed themselves of it, by purchasing the premises No. 4, Pall Mall East, lately occupied by the Metropolitan Bank, which had withdrawn from business. Mr. Wight, the manager of the Metropolitan Bank, was appointed the manager of the branch.

At the general meeting held in July, 1844, the directors stated that, “ the premises now occupied by the bank having become inadequate for the convenient transaction of its extended business, the directors had availed themselves of the opportunity of purchasing from the Great Western Railway Company, their extensive freehold premises in Prince-

The Union Bank of London.

street, which will secure a permanent position for the bank in the most convenient situation in the city."

The directors state in their report of July 1847:—

"The directors consider they are justified in increasing the rate of dividend, and they have therefore declared a dividend for the last six months of $3\frac{1}{2}$ per cent., which, with $2\frac{1}{2}$ per cent. paid in January, will make the dividend 6 per cent. clear of income-tax, for the whole year."

The report also states:—

"The directors have considered the subject of the appropriation of the reserved shares, and have resolved that they shall be offered in the first instance to the shareholders only, in ratable proportion to the shares held by them, and on such terms as shall be equivalent to a liberal bonus. And the proprietors may rely on the directors giving ample notice of, and selecting such period for, this appropriation as shall be most desirable for the interests of the bank, and advantageous to the proprietors individually."

In the report of July, 1848, the directors again refer to this subject:—

"With respect to these shares, which were alluded to in the last annual report, it is almost superfluous to refer to the unprecedented mercantile crisis which has marked the eventful period since the last general meeting, as having rendered it inexpedient to appropriate them at a time when it might be inconvenient to many proprietors to avail themselves even of so advantageous an investment."

Table of the Paid-up Capital, Annual Profits, Dividends, and Amount of Surplus Fund, of the UNION BANK OF LONDON, during each Year ending the 30th of June.

Date.	Paid-up Capital.	Profits of the Year.			Amount of Dividend.			Surplus Fund.		
	£.	£.	s.	d.	£.	s.	d.	£.	s.	d.
1840	210,025	12,501	5	0	10,501	5	0	2,000	0	0
1841	422,700	17,851	5	0	15,851	5	0	4,000	0	0
1842	422,900	23,145	0	0	21,145	0	0	6,000	0	0
1843	422,900	23,145	0	0	21,145	0	0	8,000	0	0
1844	422,900	24,613	16	1	21,145	0	0	11,468	16	1
1845	422,900	28,630	12	2	21,145	0	0	18,954	8	3
1846	422,900	23,145	0	0	21,145	0	0	20,954	8	3
1847	422,900	42,070	5	5	25,374	0	0	37,650	13	8
1848	422,900	34,474	0	0	25,374	0	0	46,750	13	8
Totals,	422,900	229,576	3	8	182,825	10	0	46,750	13	8

Present Prospectus:—

UNION BANK OF LONDON.

Capital £3,000,000, in Shares of £50 each.

DIRECTORS.—Sir Peter Laurie, Alderman, *Governor*; William Mountford Nurse, Esq., *Deputy Governor*; George Webster, Esq.; John Barnes, Esq.; J. W. Sutherland, Esq.; James Farquhar, Esq.; Peter Laurie, Esq.; John Connell, Esq.; Charles Lyall, Esq.; John Chapman, Esq.; Henry Hulbert, Esq.; Archibald Boyd, Esq.; Lieut. Col. Matheson, M. P.; John Scott, Esq.

Principal Office.—2, Princes-street, Mansion-house.

William Wilson Scrimgeour, *General Manager*.

Regent-street Branch Office.—Argyll-place; Henry T. Clack, *Manager*.

Charing Cross Branch Office.—4, Pall-mall, East; Alexander Wight, *Manager*.

Secretary.—Walter Laurie.

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The capital of the bank is £3,000,000 sterling, in 60,000 shares of £50 each; 42,290 of these shares (on each of which £10 has been paid, making the paid-up capital £422,900) are held by nearly 600 proprietors, whose names are published periodically.

TERMS.

Current Accounts. — Parties keeping current or drawing accounts will be credited on the first day of every month with a month's interest, at the rate of 2 per cent. per annum, on the smallest balance at the credit of their account at the close of business on any day during the past month, provided that such balance shall not be less than £100. The total amount of interest will be passed to account every six months.

Deposit Accounts. — The rate of interest at present allowed on money placed on deposit at ten days' notice, is £2 per cent., but which will rise or fall, *pro rata*, with the Bank of England rate of discount for first-class bills, being always one per cent. under that rate. The maximum not to exceed 5 per cent. Receipts for the sums so deposited will be granted to the parties; or, for the convenience of depositors going abroad, bills or promissory notes, at not less than six months' date, including interest till maturity, will be issued.

GENERAL BUSINESS.

The agency of country and foreign banks, whether joint-stock or private.

Circular notes and letters of credit issued for all parts of the continent of Europe and elsewhere.

Purchases and sales effected in all the British and foreign stocks and securities, and the dividends received without charge.

The half-pay, &c., of officers, being customers, also received without charge.

W. W. SCRIMGEOUR, *General Manager*

IV. — The Commercial Bank of London.

This bank commenced at No. 3 Moorgate Street, Lothbury. Its shares were £1,000 each. The first manager was Mr. Sparkes, who had been a private banker at Exeter. The present manager, Mr. Alfred R. Cutbill, was sub-manager of the London and County Bank.

A Statement of the Paid-up Capital, Profits, Dividend, and Surplus Fund, of the COMMERCIAL BANK OF LONDON, on the 31st of December in each Year.

Date.	Paid-up Capital.	Profits of the Year.			Amount of Dividend.			Surplus Fund.		
	£	£	s.	d.	£	s.	d.	£	s.	d.
1841, . . .	80,000	3,619	19	5	2,684	14	3	935	5	2
1842, . . .	80,000	4,584	4	3	4,000	0	0	1,519	9	5
1843, . . .	80,000	3,249	0	0	3,200	0	0	1,568	9	5
1844, . . .	80,000	4,945	12	2	4,000	0	0	2,514	1	7
1845, . . .	100,000	6,981	16	8	4,987	6	9	4,508	11	6
1846, . . .	122,860	12,600	16	8	7,042	8	6	10,066	19	8
1847, . . .	128,280	12,382	13	2	7,624	7	2	14,825	5	8
1848, . . .	128,280	10,257	19	4	7,696	16	0	17,386	9	0
Totals, . .	128,280	58,622	1	8	41,235	12	8	17,386	9	0

The first annual meeting was held on the 30th of June, 1841, when the paid-up capital amounted to £80,000, on which a dividend was paid at the rate of 4 per cent. per annum. The bank had opened a Western Branch in Henrietta Street, Covent Garden, in the premises formerly occupied by the private bank of Messrs. Wright & Co., who had become bankrupts.

The London and County Bank.

At the annual meeting in 1842 the dividend was raised to 5 per cent. In the year 1843 the dividend declared was 4 per cent., and in 1844 it was 5 per cent.

At a special meeting, held on the 3d of June, 1844, it was resolved to reduce the shares from £ 1,000 to £ 100 each.

In July, 1845, the directors met their proprietors for the first time in their new house, in Lothbury. The rate of interest was advanced to six per cent.

Present Prospectus :—

COMMERCIAL BANK OF LONDON,

LOTHBURY, AND 6, HENRIETTA STREET, COVENT GARDEN.

Capital, £ 2,000,000, in 20,000 Shares, of £ 100 each.

DIRECTORS.—John Taylor, Esq., *Chairman*. Thomas Barnewall, Esq., *Deputy Chairman*. Charles Dickson Archibald, Esq.; William Beresford, Esq., M. P.; William Sprott Boyd, Esq.; John Alfred Chowne, Esq.; William Cooper, Esq.; James Alexander Douglas, Esq.; Charles Hill, Esq.; Jonathan Hopkinson, Esq.; Edward Oxenford, Esq.; John Savage, Esq.; Joseph Thompson, Esq.; Joseph Underwood, Esq.; Richard Walker, Esq., M. P.; Thomas Winkworth, Esq.

MANAGER.—Mr. Alfred R. Cutbill.

SOLICITORS.—Messrs. Amory, Nelson, Travers, & Wynn, and Messrs. Norris & Sons.

Accounts of parties received and kept on the plan generally adopted by London bankers.

Parties having current accounts with this bank have the advantage of transferring any surplus balance to a deposit account bearing interest; and sums of money are received on deposit from parties not keeping current accounts, at such rate of interest, and for such periods, as may be agreed upon.

The agency for country and foreign banks undertaken on such terms as may be agreed upon.

Purchases and sales of British and foreign securities, &c., effected, dividends received, and every description of banking business transacted.

V. — *The London and County Bank.*

This bank was originally called the Surrey, Kent, and Sussex Bank, and it was intended that its head office should be fixed in Southwark. It afterwards assumed the above title, and took the premises formerly occupied by the private bank of Messrs. Lees, Brassey, & Co., at No. 71 Lombard Street. From thence it removed to No. 21 Lombard Street, the premises formerly occupied by the private bank of Messrs. Esdaile & Co. It has forty-five branches, all in the country.

The following Private Banks have been absorbed in the London and County Bank :—

1. Aylesbury,	J. & T. Chapman.	5. Petersfield,	Hector & Co.
2. Chatham,	Jeffreys & Hill.	6. Sandwich,	Emmerson & Co.
3. Cranbrook,	Wilnhurst & Co.	7. Petworth,	John Stoveld.
4. Oxford,	Davenport & Co.		

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The branches at Abingdon, Arundel, Cambridge, Canterbury, Chichester, Romford, St. Alban's, and Stoney Stratford, were established in consequence of the failure of private banks in those places.

Present Prospectus: —

THE LONDON AND COUNTY JOINT-STOCK BANKING COMPANY.

Subscribed Capital £500,000, in Shares of £50 each; £20 paid.

Parent Establishment, 21 Lombard Street.

DIRECTORS. — John Sadleir, Esq., M. P., *Chairman.* John Griffith Frith, Esq., *Deputy Chairman.* William Cory, Esq.; James William Deacon, Esq.; J. A. Durham, Esq.; Swynfen Jervis, Esq.; John Cuthbert Joyner, Esq.; J. H. Lance, Esq.; Richard Springett, Esq.; Clement Tabor, Esq.; John Wheelton, Esq.; James Rhodes, Esq., *Inspecting Director.*

TRUSTEES. — Wm. Cory, Esq.; James William Deacon, Esq.; Swynfen Jervis, Esq.

GENERAL MANAGER. — Henry Luard, Esq.

STANDING COUNSEL. — Sir John Jervis, M. P., Attorney General; Russell Gurney, Esq., Q. C.

SECRETARY. — R. P. Nichols, Esq.

SOLICITORS. — Messrs. Wilkinson & Gurney.

Branch Banks of the Company.

Abingdon and Wantage,	Croydon,	Maldon,
Arundel and Worthing,	Dorking,	Oxford and Witney,
Ashford,	Dover,	Petersfield,
Aylesbury and Thane,	Gravesend	Petworth and Midhurst,
Banbury,	Greenwich,	Romford and Chipping
Bishop's Stortford and Saf-	Halstead,	Ongar,
fron Walden,	Hastings and Battle,	Rye,
Braintree,	Hertford,	Sandwich,
Brighton,	Horsham,	Seven Oaks,
Buckingham,	Huntingdon, St. Ives, and	St. Alban's,
Cambridge,	St. Neot's,	Stoney Stratford,
Canterbury,	Leighton Buzzard,	Tenterden,
Chatham,	Lewes, Hailsham, and New-	Tunbridge,
Chelmsford,	haven,	Tunbridge Wells,
Chichester,	Luton, Dunstable, and	Woolwich,
Coggeshall,	Hitchin,	Wrotham.
Cranbrook,	Maidstone,	

"I look upon the principle of joint-stock companies as one of the great discoveries of modern times. I regard them, when made responsible to public opinion, as the ground on which all successful enterprise must be founded. I say further, that if there be any one description of business to which the principle of a joint-stock company can be more applicable than another, it is, under due restrictions, the business of banking."*

The history of joint-stock banks is short, — they sprang from necessity. The panic of 1825 provoked an inquiry into the banking system, and the result was the enactment of the 7th Geo. IV., the statute to which they owe their origin in this country.

Their success has been extraordinary. Established in Scotland, Ireland, and England, their shares command high premiums, in many cases exceeding 100 per cent. on the paid-up capital. Their stability and prosperity in Scotland, from the date of their original foundation up to the present hour, are notorious: it is beyond a question, that no principle of banking which has yet been subjected to the test of experience has afforded an equal extent of credit with equal security.

They have been tendered by the Legislature as a safe medium of commercial trans-

* Extract from the Speech of the Chancellor of the Exchequer, 1835

The London and County Bank.

actions; they have been accepted by the leading capitalists; and they have received the stamp of approbation and implicit confidence from the great mass of the population of the three kingdoms.

The primary advantage of joint-stock banks is their undoubted stability. They offer to individuals the opportunity of becoming their own bankers. As shareholders, they participate in the profits of their own accounts. If they require accommodation, a part of the consideration they pay for it returns to them; if they deposit, the amount is doubly fruitful: first, they receive from the bank, interest on the sum deposited; and secondly, they share in the profit which the bank itself makes by the use of their investment. In a word, private individuals, instead of giving the profit of their accounts to private bankers, by becoming shareholders in joint-stock banks divide it amongst themselves.

As a short summary, it may be said, that joint-stock banks owe the public approbation bestowed on them, and the public confidence they enjoy, to the number and wealth of their proprietors, to the publicity of their transactions, to their actually subscribed capital, to the security which they offer for the fulfilment of their engagements, to the almost unlimited credit of a large and rich proprietary, to the power thence derived to afford to the public the greatest accommodation consistent with prudence, to the individual influence of each member of the company, whose exertions secure to it considerable business at the outset, and to their perfect freedom from a dread of the sudden and ruinous checks to which private banks, however solvent and honorable the partners, are liable in those panics which seem to occur periodically in great trading communities. These advantages are found to be obtainable from banking companies founded on the joint-stock principle, and from them alone.

The London and County Bank was established with the avowed object of introducing these advantages amongst the inhabitants of the surrounding districts of London, within sixty-five miles; and whatever the difficulties of prejudice and opposition which the directors had to encounter in the first instance, such has been the growing favor of the joint-stock system of banking, engendered by the inquiring spirit of the age, and confirmed by the disastrous results consequent upon the failure of private banks, that the London and County Banking Company can now triumphantly point to upwards of forty branches which have, one after the other, been raised into existence, and which, nurtured by the wants of their various localities, are steadily and progressively increasing in profit and importance.

The London and County Bank is protected from one of the most active causes of loss to a bank, — panic; by not being a bank of issue, it does not coin a circulation of its own; it confines its payments to that which has ever merited public confidence, the coin of the realm, and the notes of the most powerful joint-stock bank in the world, — the Bank of England.

The company at the parent bank and its branches open accounts with commercial houses and private individuals, either upon the plan usually adopted by the London bankers, or by charging a small commission to those persons to whom it may be more convenient to use the whole of their capital.

They allow interest at the rate of 1 per cent. per annum on the amount of the monthly minimum balance exceeding £100, which is passed to the customer's credit at the expiration of the quarter.

They receive deposits at such rate of interest and for such periods as may be agreed upon, reference being had to the state of the money market.

They obtain letters of credit for all the principal cities and towns of foreign countries.

They receive dividends; army, navy, and civil pay, and pensions; proceeds of ecclesiastical property, and rents; effect transfers and sales of stock and shares; and transact financial business generally.

The following are the leading features in the deed of settlement on which the company has been constituted: —

1. The shares of the London and County Bank are £50 each, and they are dispersed amongst upwards of 400 proprietors, mostly residing in the immediate localities of its branches.

2. As regards the liability of the shareholder, the deed of settlement contains a clause, which, while it leaves unimpaired that great principle of the law on which the stability of joint-stock banks is founded, and which secures to them "unlimited" public confidence, namely, the "unlimited" liability of each shareholder for the obli-

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gations of the company, at the same time efficiently protects him, by providing, that if ever the losses of the company shall amount to one third of the paid-up capital, a meeting shall be called to consider the propriety of dissolving it; and that if, in opposition to the views of any shareholder, it be determined, notwithstanding the loss, to continue the company in existence, he may call on those shareholders who so resolve to purchase his shares, and thus release him from all future responsibility.

3. A proportion of the profits is reserved to form a permanent guarantee fund; and after a sufficient accumulation, the entire future profits will be divided among the shareholders.

4. A balance-sheet, clearly showing the state of the financial affairs of the company, will be open to the inspection of the shareholders seven days previous to each annual meeting.

5. Shareholders are entitled to one vote for five shares; to two votes for twenty shares; to three votes for fifty shares; and to five votes for one hundred shares and upwards.

By order of the Directors,

R. P. NICHOLS,
Secretary.

21, Lombard Street.

The total number of places at which business is carried on in London by joint-stock banks is fourteen, of which seven are to the east, and seven to the west of Temple-bar.

No. I. — *Analysis of the Returns made to the Commissioners of Stamps and Taxes by the Joint-Stock Banks of London, in January, 1849.*

	London and Westminster Bank.	London Joint-Stock Bank.	Union Bank of London.	Commercial Bank of London.	London and County Bank.	Total.
Parties resident in London and within 15 miles,	761	624	373	110	99	1,967
Do. in other parts of England,	361	177	109	53	263	963
Do. in Scotland,	44	17	80	5	—	146
Do. in Ireland,	14	1	1	1	1	18
Do. abroad,	19	9	7	10	—	45
	<u>1,199</u>	<u>828</u>	<u>570</u>	<u>179</u>	<u>363</u>	<u>3,139</u>

No. II. — *Abstract of the Affairs of the Joint-Stock Banks, from their last Reports.*

Name of Bank.	Capital Subscribed.	Capital Paid-up.	Amount of Deposits.	Reserved Fund.	Amount of Shares.	Paid-up per Shr.	Dividend per Cent.
London and Westminster Bank,	£ 5,000,000	£ 1,000,000	£ 3,089,659	£ 102,723	£ 100	£ 20	£ 6
London Joint-Stock Bank,	3,000,000	600,000	2,328,056	128,765	50	10	6 & 3 $\frac{1}{4}$ Bo.
Union Bank of London,	3,000,000	422,900	2,614,723	46,750*	50	10	6
Commercial Bank of London,	641,400	123,280	406,217	17,386	100	20	6
London and County Bank,	500,000	199,800	1,354,730	27,559	50	20	6
	<u>£ 12,141,400</u>	<u>2,350,980</u>	<u>9,823,390</u>	<u>323,174</u>			

* This is the amount transferred from the Profit and Loss Account, without the accumulations. With these, it amounts to £ 50,000, which is invested in Bank Stock.

Two joint-stock banks have been discontinued in London. 1. "The Metropolitan Bank," which was formed in 1839, and wound up in 1841. The manager, the premises, and the customers were transferred to the Union Bank of London, who then opened a branch at Charing-cross. 2.

The Clearing-House.

"The St. Marylebone Bank," opened in 1836, was wound up in 1841. The business of the bank was transferred to the St. Marylebone Branch of the London and Westminster Bank.

THE CLEARING-HOUSE.

The joint-stock banks are not admitted into the Clearing-house. This exclusion puts them to some inconvenience, and to considerable expense. There are certain classes who cannot conveniently keep their account with a bank that does not clear. The banks have to keep a larger amount of money in their tills, and thus there is a loss of interest. They have to employ more clerks, to present their bills and cheques at the houses of the clearing bankers, and thus there is a greater expenditure in salaries. In lending money on the Stock Exchange they have to stipulate for payment in bank notes, and not by a clearing cheque. In selling stock they have to make the same agreement. In these cases they have sometimes to submit to less favorable terms, as it is not always convenient, and never agreeable, to the stock-brokers to supply bank notes in the middle of the day. Other inconveniences are also occasionally experienced.

The exclusion of the joint-stock banks inflicts also some inconvenience and loss on the clearing bankers. The joint-stock banks present all their bills and cheques at the counters of the respective clearing bankers three times a day, and receive payment in bank notes. On the other hand, each clearing banker presents his bills and notes at the same hours on the several joint-stock banks, at their respective counters, and receives payment in bank notes. To meet the claims made upon them daily by the private banks, the joint-stock banks have to keep in their tills a larger amount of bank notes than they would keep were they members of the Clearing-house. And, on the other hand, each clearing banker has also to keep a larger amount of bank notes to meet the claims made upon him at his counter by the joint-stock banks. The customer of the private banker must also make provision the day before they fall due for any bills he may have made payable at his banker's. For should those bills be in the hands of the joint-stock bank who will present them early in the morning, and if provision is not previously made, the bills will be dishonored. Stock-brokers, too, have sometimes sustained annoyance from this cause. They have sold stock for parties who keep their account with a joint-stock bank, and when their cheque has been presented for payment by the joint-stock bank, it has not been paid. The answer given has been that it must come through the clearing; and as the joint-stock bank could not pass it through the clearing, it has been returned dishonored to the broker's customer. These inconveniences and annoyances to all parties will necessarily multiply as the business of the joint-stock banks shall increase.

The Clearing-house was established about seventy-five years ago, by some of the London bankers, for the purpose of facilitating their exchanges with each other. It was at first by no means generally approved, and some of the principal bankers refused to have recourse to it. After the number of clearing bankers had increased, a committee was formed

for its government. This committee is composed of five or six of the leading bankers, and any new bank that desires to have the privilege of clearing, must now apply for permission to the committee.

The object the clearing bankers had in view was to exchange bills and cheques against bills and cheques, and thus be enabled to carry on their business with a less amount of capital. But while the bankers endeavoured to promote their own interest, they promoted at the same time the interest of the public. The sums liberated from employment in this way became available for employment in agriculture, manufactures, and commerce. Whenever any banker, therefore, is excluded from the Clearing-house, and is consequently obliged to keep a larger amount of cash in his coffers, his available capital is so far reduced, and thus the agriculture, manufactures, and commerce of the country receive less encouragement.

The establishment of the Clearing-house has led to new arrangements in several branches of business. The stock-brokers, for instance, now settle all their receipts and payments by cheques, to be paid through the Clearing-house. The cheques a broker draws on his banker are paid at the Clearing-house by cheques of other brokers, which he lodges to his credit. The colonial brokers also, and other classes of commercial men, have fixed days for settling their accounts, and on these days draw cheques on their bankers in the morning, and pay in cheques to meet them at a subsequent part of the day. Thus the institution of the Clearing-house has become entwined with the commerce of the country, and could not be discontinued without deranging every branch of business. It has also received the sanction of the law of the land, the courts of law having decided that the presentment of a bill of exchange at the Clearing-house is a legal presentment. In this case, as in many others, the custom of bankers and merchants has become law. Many of our commercial laws have had the same origin. They have at first been mere regulations established by merchants for their own convenience; these regulations have been adopted by other classes of the community; they have been followed for a number of years; and then the law has recognized them as a portion of the commercial institutions of the country. Such was the origin of allowing three days' grace upon bills of exchange, and such has been the case with the Clearing-house. The Clearing-house is no longer, therefore, a private subscription-room, from which the parties admitted may exclude whomsoever they please at their own caprice. They may exclude improper banking companies, as the Edinburgh banks refuse to exchange with any bank that is not respectable; but they are bound in justice to admit all respectable banks who may apply for admission.

"Another amendment which I would propose as connected with the currency of London, would be a regulation of the Clearing-house by the Legislature. Although the Clearing-house was a voluntary association of bankers at first, yet it has now existed for 60 years, and has become interwoven with several branches of London trade; it is therefore for all practical purposes a public institution, and, like a market or any other public institution, might become the subject of legislative interference. The exclusion of banks in London from the Clearing-house whose capi-

The Clearing-House.

tal now amounts to about two millions sterling, and who have about 2,000 partners, is not only a great inconvenience and a great loss to those banks, but is a great inconvenience also to the public in general, and such an interference with the freedom of trade, as carried on by individual companies in London, as alone would justify the interference of the Legislature; and, besides, it is quite unreasonable that an association of omnibus proprietors should be indicted and tried for a conspiracy because they have tried to run a rival omnibus off the road, and yet that a body of bankers may conspire for a similar object without any interference of the Legislature at all." (Evidence of J. W. Gilbart before the Committee on Banks of Issue, March, 1841.)

The following evidence was given by the Governor of the Bank of England, before the Committee on Commercial Distress, in answer to questions from Sir William Clay:—

"It must be known to you, I suppose, that the joint-stock banks of London are excluded from the Clearing-house?—Yes.

"Are you of opinion that that exclusion (which of course it is perfectly within the right and discretion of private banks to insist upon, if they please) tends to public inconvenience, inasmuch as it lessens, *pro tanto*, that economy of the circulating medium which the Clearing-house is calculated to produce?—Allowing joint-stock banks to clear with other bankers, I have no doubt would produce an economy in the use of bank notes.

"And economy in the circulating medium?—And economy in the circulating medium.

"Have you any means of ascertaining the amount to which the admission to the Clearing-house of joint-stock banks would economize the amount of circulation now required for the use of London?—I have not; I have heard it stated at half a million, but I cannot say if that is correct.

"I believe that the chairman of one large London joint-stock bank, namely, the London and Westminster, did state publicly that they were under the necessity of keeping a reserve of £150,000 in bank notes, more than it would have been necessary for them to keep if they had been admitted to the Clearing-house?—I know that he made some statement of that sort; I cannot say what it was.

"That must imply, not perhaps the necessity of a corresponding amount being kept by all private banks, but something approaching to it, inasmuch as all cheques on such banks held by joint-stock banks must be presented in the course of the morning at the banks, instead of being brought to the Clearing-house in the evening?—Yes.

"It is, therefore, not merely the amount of notes which the joint-stock banks are obliged to keep in reserve, but the amount of extra bank notes which the private bankers are obliged to keep in reserve?—Yes.

"There are, besides the London and Westminster, four other joint-stock banks in London; I believe their capital, from the published reports, amount to £2,645,000 paid-up capital, and their deposits to £8,864,000, together £11,509,000, of which these joint-stock banks have the control?—I cannot say whether those figures are correct or not.

"But assuming that those figures are correct, and that it is also correct that one of these banks, namely, the London and Westminster, is compelled to keep £150,000 more of notes in reserve, because they are not admitted to the Clearing-house, is it not probable that the sum you have mentioned of £500,000 is not too large an estimate of the increased quantity of circulating medium, which is rendered necessary by the circumstance of these joint-stock banks not being admitted to the Clearing-house?—Assuming as a fact, that the London and Westminster Bank keep £150,000 of notes more than they would otherwise keep in consequence of not being able to clear, probably, I should say, that that statement is correct.

"But at all events, without assuming that these figures are exactly correct, is it not true, that that exclusion must, in reality, produce the necessity for a larger amount of circulating medium to supply the daily necessities of the public?—Yes."

SECTION IV.—THE COUNTRY PRIVATE BANKS.

THESE banks cannot have more than six partners. They are banks of deposit, of loan, and of discount. As banks of deposit, they usually allow interest on both deposits and balances of current accounts, and charge a commission on the amount of the transactions. In commercial or manufacturing districts their advances are usually made by way of discount; in agricultural districts, frequently by loans. They remit money by issuing bills or letters of credit on London, or they direct their agents to make payments to bankers or other parties resident in London. As banks of circulation, they have at various times occupied a large portion of public attention, and have been the subject of much legislation.

Those bankers who wish to issue notes must take out a license, which will cost £ 30 and must be renewed every year. They may re-issue any notes not above the value of £ 100 as often as they think proper. And should any of the firm die or remove from the business, the notes may be issued by the remaining partners. But they cannot be re-issued by a new firm, which does not include any member belonging to the firm by whom the notes were first issued.

If the half of a note be lost or stolen, a banker cannot be compelled to give a new note in exchange for the remaining half. But if it can be proved that one half of a note is burnt, or otherwise destroyed, then the holder may perhaps recover the note from the banker.

In such cases, the bankers always pay the value of the note on receiving a respectable indemnity.

Bankers may be compelled to pay whole notes that have been lost or stolen, provided the holder has given actual value for them.

The stamp duty on country notes is as follows:—

	£	s.		£	s.	s.	d.
Notes not exceeding	1	1	... ..	...		0	5 each.
Exceeding	1	1	and not exceeding	2	2	0	10 "
Ditto	2	2	"	5	5	1	8 "
Ditto	5	5	"	10	0	1	9 "
Ditto	10	0	"	20	0	2	0 "
Ditto	20	0	"	30	0	3	0 "
Ditto	30	0	"	50	0	5	0 "
Ditto	50	0	"	100	0	8	6 "

Country banks are allowed to compound for the stamp duties on their notes, at the rate of seven shillings per cent. per annum upon the amount in circulation, and to include, on the same terms, their bills drawn on London at twenty-one days after date. But whether a country banker compounds for the stamp duties or not, he must make a return to the Government of the amount of his notes in circulation every Saturday night. These returns are consolidated, and the result published in the *London Gazette*.

The following are the enactments respecting country bankers in the Act 7 & 8 Vict. c. 32, passed in 1844:—

Country Private Banks.

No New Bank of Issue.

"X. And be it enacted, That from and after the passing of this Act, *no person other than a banker, who, on the sixth day of May, one thousand eight hundred and forty-four, was lawfully issuing his own bank notes, shall make or issue bank notes in any part of the United Kingdom.*"

Restriction against Issue of Bank Notes.

"XI. And be it enacted, That from and after the passing of this Act, it shall not be lawful for any banker to draw, accept, make, or issue, in England or Wales, any bill of exchange, or promissory note, or engagement for the payment of money payable to bearer on demand, or to borrow, owe, or take up, in England or Wales, any sums or sum of money on the bills or notes of such banker payable to bearer on demand, save and except that it shall be lawful for any banker who was on the sixth day of May, one thousand eight hundred and forty-four, carrying on the business of a banker in England or Wales, and was then lawfully issuing, in England or Wales, his own bank notes, under the authority of a license to that effect, to continue to issue such notes, to the extent and under the conditions hereinafter mentioned, but not further or otherwise; and the right of any company or partnership to continue to issue such notes shall not be in any manner prejudiced or affected by any change which may hereafter take place in the personal composition of such company or partnership, either by the transfer of any shares or share therein, or by the admission of any new partner or member thereto, or by the retirement of any present partner or member therefrom: Provided always, *that it shall not be lawful for any company or partnership now consisting of only six or less than six persons to issue bank notes at any time after the number of partners therein shall exceed six in the whole.*"

Bankers ceasing to issue Notes may not resume.

"XII. And be it enacted, That if any banker in any part of the United Kingdom who, after the passing of this Act, shall be entitled to issue bank notes, *shall become bankrupt, or shall cease to carry on the business of a banker, or shall discontinue the issue of bank notes, either by agreement with the Governor and Company of the Bank of England or otherwise, it shall not be lawful for such banker at any time thereafter to issue any such notes.*"

Existing Banks of Issue to continue under certain Limitations.

"XIII. And be it enacted, That every banker claiming under this Act to continue to issue bank notes in England or Wales shall, within one month next after the passing of this Act, give notice in writing to the Commissioners of Stamps and Taxes, at their head office in London, of such claim, and of the place, and name, and firm, at and under which such banker has issued such notes *during the twelve weeks next preceding the twenty-seventh day of April last*; and thereupon the said commissioners shall ascertain if such banker was on the sixth day of May, one thousand eight hundred and forty-four, carrying on the business of a banker, and lawfully issuing his own bank notes in England or Wales, and if it shall so appear, then the said commissioners shall proceed to ascertain the average amount of the bank notes of such banker which were in circulation during the said period of twelve weeks preceding the twenty-seventh day of April last, according to the returns made by such banker in pursuance of the Act passed in the fourth and fifth years of the reign of her present Majesty, entitled 'An Act to make further Provision relative to the Returns to be made by Banks of the Amount of their Notes in circulation'; and the said commissioners, or any two of them, shall certify under their hands to such banker *the said average amount*, when so ascertained as aforesaid; and it shall be lawful for every such banker to continue to issue his own bank notes after the passing of this Act: *Provided nevertheless, that such banker shall not at any time after the tenth day of October, one thousand eight hundred and forty-four, have in circulation upon the average of a period of four weeks, to be ascertained as hereinafter mentioned, a greater amount of notes than the amount so certified.*

Provision for United Banks.

"XIV. Provided always, and be it enacted, That if it shall be made to appear to the Commissioners of Stamps and Taxes that any two or more banks have, by written

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contract or agreement (which contract or agreement shall be produced to the said commissioners), become united within the twelve weeks next preceding such twenty-seventh day of April as aforesaid, it shall be lawful for the said commissioners to ascertain the average amount of the notes of each such bank in the manner hereinbefore directed, and to certify the average amount of the notes of the two or more banks so united as the amount which the united bank shall thereafter be authorized to issue, subject to the regulations of this Act.

Duplicate Certificate to be published in the Gazette. Gazette to be Evidence.

"XV. And be it enacted, That the Commissioners of Stamps and Taxes shall, at the time of certifying to any banker such particulars as they are hereinbefore required to certify, also publish a duplicate of their certificate thereof in the next succeeding *London Gazette* in which the same may be conveniently inserted; and the gazette in which such publication shall be made shall be exclusive evidence in all courts whatsoever of the amount of bank notes which the banker named in such certificate or duplicate is by law authorized to issue and to have in circulation as aforesaid.

In case Banks become united, Commissioners to certify the Amount of Bank Notes which each Bank was authorized to issue.

"XVI. And be it enacted, That in case it shall be made to appear to the Commissioners of Stamps and Taxes, at any time hereafter, that any two or more banks, each such bank consisting of not more than six persons, have, by written contract or agreement (which contract or agreement shall be produced to the said commissioners), become united subsequently to the passing of this Act, it shall be lawful to the said commissioners, upon the application of such united bank, to certify, in manner hereinbefore mentioned, the aggregate of the amounts of bank notes which such separate banks were previously authorized to issue, and so from time to time; and every such certificate shall be published in manner hereinbefore directed; and from and after such publication the amount therein stated shall be and be deemed to be the limit of the amount of bank notes which such united bank may have in circulation: *Provided always, that it shall not be lawful for any such united bank to issue bank notes at any time after the number of partners therein shall exceed six in the whole.*

Penalty on Banks issuing in Excess.

"XVII. And be it enacted, That if the monthly average circulation of bank notes of any banker, taken in the manner hereinafter directed, shall at any time exceed the amount which such banker is authorized to issue and to have in circulation under the provisions of this Act, such banker shall in every such case forfeit a sum equal to the amount by which the average monthly circulation, taken as aforesaid, shall have exceeded the amount which such banker was authorized to issue and to have in circulation as aforesaid.

Issuing Banks to render Accounts.

"XVIII. And be it enacted, That every banker in England and Wales who, after the tenth day of October, one thousand eight hundred and forty-four, shall issue bank notes, shall on some one day in every week after the nineteenth day of October, one thousand eight hundred and forty-four (such day to be fixed by the Commissioners of Stamps and Taxes) transmit to the said commissioners an account of the amount of the bank notes of such banker in circulation on every day during the week ending on the next preceding Saturday, and also an account of the average amount of the bank notes of such banker in circulation during the same week; and on completing the first period of four weeks, and so on completing each successive period of four weeks, every such banker shall annex to such account the average amount of bank notes of such banker in circulation during the said four weeks, and also the amount of bank notes which such banker is authorized to issue under the provisions of this Act; and every such account shall be verified by the signature of such banker or his chief cashier, or, in the case of a company or partnership, by the signature of a managing director, or partner, or chief cashier of such company or partnership, and shall be made in the form to this Act annexed marked (B.); and so much of the said return as states the weekly average amount of the notes of such bank shall be published by

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the said commissioners in the next succeeding *London Gazette* in which the same may be conveniently inserted; and if any such banker shall neglect or refuse to render any such account in the form and at the time required by this Act, or shall at any time render a false account, such banker shall forfeit the sum of one hundred pounds for every such offence.

Mode of ascertaining the Average Amount of Bank Notes of each Banker in circulation during the first Four Weeks after 10th October, 1844.

"XIX. And be it enacted, That for the purpose of ascertaining the monthly average amount of bank notes of each banker in circulation, the aggregate of the amount of bank notes of each such banker in circulation on every day of business during the first complete period of four weeks next after the tenth day of October, one thousand eight hundred and forty-four, such period ending on a Saturday, shall be divided by the number of days of business in such four weeks, and the average so ascertained shall be deemed to be the average of bank notes of each such banker in circulation during such period of four weeks, and so in each successive period of four weeks, and such average is not to exceed the amount certified by the Commissioners of Stamps and Taxes as aforesaid."

Bankers to take out a separate License for every Place at which they issue Notes or Bills. Proviso in Favor of Bankers who had Four such Licenses in force on the 6th of May, 1844.

"XXII. And be it enacted, That every banker who shall be liable by law to take out a license from the Commissioners of Stamps and Taxes to authorize the issuing of notes or bills shall take out a *separate and distinct license for every town or place* at which he shall, by himself or his agent, issue any notes or bills requiring such license to authorize the issuing thereof, any thing in any former Act contained to the contrary thereof notwithstanding: Provided always, that no banker who on or before the sixth day May, one thousand eight hundred and forty-four, had taken out four such licenses, which on the said last-mentioned day were respectively in force, for the issuing of any such notes or bills at more than four separate towns or places, shall at any time hereafter be required to take out or to have in force at one and the same time more than four such licenses to authorize the issuing of such notes or bills at all or any of the same towns or places specified in such licenses in force on the said sixth day of May, one thousand eight hundred and forty-four, and at which towns or places respectively such bankers had on or before the said last-mentioned day issued such notes or bills in pursuance of such licenses or any of them respectively."

It will be seen from these extracts that the provisions of the Act require:—

1. That no new bank of issue be established in the United Kingdom.
2. That the *maximum* of each bank of issue in England shall be the *average* of the notes in circulation during the four weeks ending the 27th of April, 1844.
3. That if any bank having not more than six partners should exceed that number, it would lose its issue. This tends to prevent private banks merging into joint-stock banks.
4. That no union can take place between a joint-stock bank and a private bank, or between two joint-stock banks of issue, without one of them at least losing its circulation.
5. Every new branch at which notes shall be issued must take out a separate license. Hitherto no bank had been obliged to take out more than four licenses, however numerous its branches. This tends to check the opening of new branches of issue.

It has been stated that the object of this Act was to pave the way for the establishment of one bank of issue. These provisions are certainly

not ill adapted for such an end. They will reduce the amount of the country circulation. They will produce other ill effects. The formation of large banks will be retarded. In some places it would be for the public advantage that a private bank should become a joint-stock bank. In other districts, it might be desirable that two small joint-stock banks of issue should unite and form a large one. The restrictions imposed by this Act will tend to prevent such unions. Perhaps in other respects its effects may be beneficial. It may lead a larger number of persons to keep current accounts with bankers, and to make their payments with cheques. A smaller amount of notes will then be necessary for the purposes of the country. The advantages of having a banker will be extended to the middle and lower classes, and will not as much as heretofore be confined to the wealthy. The Act, too, may have the effect of exempting the banks of issue from those accusations to which they have always been subjected on the occurrence of any national calamity. The whole Act of 1844 is formed upon the notion that the country bankers can extend their issues as much as they please, — “a vulgar error,” that has over and over again been abundantly refuted. Yet, had the Act not been passed, and had the country circulation increased a million or two, as possibly it might, from the increased transactions of the country, the railway speculations of 1845 and 1846 would doubtless have been ascribed to the excessive issues of the country banks. The following language, which I addressed in 1844 to the joint-stock banks, may not be considered inapplicable to all banks of issue : —

“Another advantage is, that the joint-stock banks of issue will be delivered from those unjust accusations to which they have hitherto been exposed. Almost every evil that has befallen the country for the last ten years has been ascribed by different writers to the reckless issues of the joint-stock banks ; and though the charge has been oft refuted, yet such has been the talent, zeal, and perseverance with which it has been revived, that it has doubtless in some degree prejudiced the public mind. But now this charge can be made no more. Our assailants are compelled to observe at least a ten years’ truce. During this period we shall have no bank directors publishing pamphlets to show that their efforts to regulate the exchanges have been counteracted by the imprudent issues of the joint-stock banks. Our notes will not again be classed by the authors of ‘prize essays’ among the causes of national distress, and philosophical writers will no longer declaim, in eloquent metaphor, against ‘the wild democracy of rival issuers.’ It is no small matter to be put into a position wherein we shall be sheltered from the peltings of unjust accusations.” (*Letters of Nehemiah*, p. 11.)

Some banks had ceased to issue their notes before the passing of the Act, by virtue of agreements with the Bank of England. The twenty-third section of the Act contains a special provision with reference to these banks.

Compensation to certain Bankers named in the Schedule.

“XXIII. And whereas the several bankers named in the schedule hereto annexed marked (C.) have ceased to issue their own bank notes under certain agreements with the governor and company of the Bank of England ; and it is expedient that such

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agreements should cease and determine on the thirty-first day of December next, and that such bankers should receive by way of compensation such composition as hereafter mentioned; and a list of such bankers, and a statement of the maximum sums in respect of which each such banker is to receive compensation, hath been delivered to the Commissioners of Stamps and Taxes, signed by the chief cashier of the Bank of England; be it therefore enacted, That the several agreements subsisting between the said governor and company and the several bankers mentioned in the schedule hereto relating to the issue of Bank of England notes shall cease and determine on the thirty-first day of December next; and from and after that day the said governor and company shall pay and allow to the several bankers named in the schedule hereto marked (C.), so long as such bankers shall be willing to receive the same, a composition at and after the rate of one pound per centum per annum on the average amount of the Bank of England notes issued by such bankers respectively and actually remaining in circulation, to be ascertained as follows; that is to say, on some day in the month of April, one thousand eight hundred and forty-five, to be determined by the said governor and company, an account shall be taken of the Bank of England notes delivered to such bankers respectively by the said governor and company within three months next preceding, and of such of the said Bank of England notes as shall have been returned to the Bank of England, and the balance shall be deemed to be the amount of the Bank of England notes issued by such bankers respectively and kept in circulation; and a similar account shall be taken at intervals of three calendar months; and the average of the balances ascertained on taking four such accounts shall be deemed to be the average amount of Bank of England notes issued by such bankers respectively and kept in circulation during the year one thousand eight hundred and forty-five, and on which amount such bankers are respectively to receive the aforesaid composition of one per centum for the year one thousand eight hundred and forty-five; and similar accounts shall be taken in each succeeding year; but in each year such accounts shall be taken in different months from those in which the accounts of the last preceding year were taken, and on different days of the month, such months and days to be determined by the said governor and company; and the amount of the composition payable as aforesaid shall be paid by the said governor and company out of their own funds; and in case any difference shall arise between any of such bankers and the governor and company of the Bank of England in respect of the composition payable as aforesaid, the same shall be determined by the Chancellor of the Exchequer for the time being, or by some person to be named by him, and the decision of the Chancellor of the Exchequer, or his nominee, shall be final and conclusive: Provided always, that it shall be lawful for any banker named in the schedule hereto annexed marked (C.) to discontinue the receipt of such composition as aforesaid, but no such banker shall by such discontinuance as aforesaid thereby require any right or title to issue bank notes."

The following are the Banks named in the schedule:—

Bank of Liverpool	Liverpool.
J. Barned & Co.	ditto.
Biddulph, Brothers, & Co.	Pembroke.
Birmingham Banking Company	Birmingham
Birmingham Town & District Bank	ditto.
Birmingham and Midland Banking Company	ditto.
Burgess & Son	Ramsgate.
Coopers & Purton	Bridgenorth.
Cunliffes, Brookes, & Co.	Blackburn.
Deane, Littlehales, & Deane	Winchester.
Dendy, Comper, & Co.	Chichester.
Devon and Cornwall Banking Company	Plymouth.
Grants & Gillman	Gosport.
Hampshire Banking Company	Southampton.
James W. R. Hall	Ross.
J. M. Head & Co.	Carlisle.
Henty, Upperton, & Olliver	Arundel.
Thomas Kinnersly & Sons	Newcastle-under-Line.
R. J. Lambton & Co.	Newcastle-on-Tyne.

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Liverpool Commercial Banking Company	Liverpool.
Liverpool Union Bank	Liverpool.
Liverpool Borough Bank	ditto.
Manchester and Liverpool District Banking Company	Manchester.
Manchester and Salford Banking Company	ditto.
Monmouth and Glamorgan Banking Company	Newport.
Moss & Company	Liverpool.
Mangles, Brothers	Guildford.
Newcastle Commercial Banking Company	Newcastle-on-Tyne.
Newcastle-on-Tyne Joint-Stock Banking Company	ditto.
North of England Joint-Stock Banking Company	ditto.
Northumberland and Durham District Bank	ditto.
Portsmouth and South Hants Bank Company	Portsmouth.
T. & R. Raikes & Co.	Hull.
Robinson & Broadhurst	Mansfield.
Sheffield Union Bank	Sheffield.
John Stoveld	
Sunderland Joint-Stock Banking Company	Sunderland.
Tugwell & Co.	Bath.
Union Bank of Manchester	Manchester.
Vivian, Kitson, & Co.	Torquay.
Watts, Whiteway, & Co.	Newton.
J. & J. C. Wright & Co.	Nottingham.
Webb, Holbrook, & Spencer	Ledbury.

The following account of the state of the fixed issue under this Act is taken from the "Banking Almanac" for 1849, page 37 :—

	<i>At Oct., 1848.</i>
Fixed issue of the Private Banks (England and Wales) by the Act of 1844,	£ 5,153,407
Deduct 21 Private Banks, since ceased to issue,	330,919
Amount of Private Banks' issue,	£ 4,822,488
Fixed issue of Joint-stock Banks, by same Act,	£ 3,495,446
Deduct 6 Joint-stock Banks, since ceased to issue,	85,459
Amount of Joint-stock Banks' issue,	£ 3,409,987
Fixed issue of Private and Joint-stock Banks,	£ 8,232,475

PRESENT STATE OF THE FIXED ISSUES.

1. Fixed issue in England and Wales,	£ 8,232,475
2. " Bank of England,	14,000,000
3. " Banks in Scotland,	3,097,209
4. " Banks in Ireland,	6,354,494
Fixed issue in the United Kingdom, at 7th October, 1848,	£ 31,674,178

NUMBER OF BANKS OF ISSUE IN THE UNITED KINGDOM.

	<i>At October 7, 1849.</i>
1 Bank of England in England and Wales, having	14 Banks.
184 Private Banking Firms in England and Wales, having	375 "
66 Joint-stock Banking Companies in England and Wales, having	407 "
253 Firms and Companies in England and Wales, having	796 Banks.
18 Joint-Stock Banking Companies in Scotland, having	403 "
8 " " " " in Ireland, having	155 "
277 Firms and Companies in the United Kingdom, having	1354 Banks.

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REDUCTION IN THE FIXED ISSUES IN ENGLAND AND WALES.

The Maximum Circulation of the Private and Joint-Stock Banks was reduced at the under-mentioned dates, by the following Banks having ceased to issue their own Notes:—

Date of last Return.	NAMES.	No. of Banks.	Amount.
			£
Prior to the 12th Oct., 1844, when the Act came into operation.	1. Bristol Old Bank. — Baillie, Ames, & Co. Bank of Eng. Notes.	1	89,540
	2. Bishop Waltham, Hampshire. — Gunrier & Co. Ditto.	1	1,993
	3. Cambridge Bank. — Fisher & Sons. Ditto.	1	8,753
	4. Ditto. — Humphrey & Son. Closed, 1845.	1	2,615
	5. Margate Bank. — Cobb & Co. Bank of Eng. Notes.	1	9,996
	6. Oxford Univ. and City Bank. — Sir J. Locke & Co. Ditto.	1	15,705
	7. Staines Bank. — Thos. Ashley & Co. Ditto.	1	9,244
	8. Wrexham and N. Wales Bank. — R. M. Loyd. Ditto.	1	4,464
	1. Western District Joint-Stock Banking Company. Dissolved.	5	18,125
			£ 160,435
April 12, 1845	9. Whitby Bank. — Frankland & Wilkinson. York City and C'ty.	1	2,076
Sept. 13, "	2. Suffolk Joint-Stock Banking Company. Dissolved.	6	7,449
April 11, 1846	10. Dover Union Bank. — Latham & Co. Bankrupts.	1	9,577
July 4, "	3. Stockton & Durham County Joint-Stock Bank. Dissolved.	2	8,290
Oct. 10, "	11. Romsey & Hamp. Bank. — Wm. Footner & Sons. Bank of Eng. Notes.	1	3,875
Dec. 5, "	4. Leeds & West Riding Joint-Stock Banking Co. Dissolved.	2	18,937
May 29, 1847	5. Leeds Commercial Joint-Stock Bank. Ditto.	1	13,914
Oct. 9, "	12. Abingdon & Wantage. — Henry Knapp. Bankrupt.	2	29,316
"	13. Penzance Union Bk. — Ricketts, Enthoven & Co.	4	31,461
Oct. 16, "	14. Leek & Congleton. — Fowler, Gaunt, & Co. Bank of Eng. Notes.	2	4,009
Oct. 23, "	15. Salisbury & Fordingbridge Bk. — Brodie & Co. Bankrupts.	2	23,335
"	16. Shaftesbury & Hendon Bank. — Brodie & King. Closed.	2	9,813
Oct. 30, "	17. Shrewsb'y & Market Drayton. — Adams & Warren. Bankrupts.	2	9,700
"	18. Honiton Bank. — Flood & Lott. Ditto.	1	19,015
Nov. 6, "	19. Bridport Bank. — Gundry & Co. Ditto.	5	24,698
Nov. 27, "	20. St. Alban's & Herts Bank. — Gibson & Sturt. Closed.	1	2,333
July 29, 1848	21. Grantham Bank. — Kewney & King.	2	19,401
Oct. 7, "	22. Sheffield & Retford Bank. Closed.	2	18,744
Total Reduction in the Circulation, under Act 7 and 8 Vict. c. 32, to Oct. 7, 1848, .			£ 416,378
21 Private Banking Firms, having 34 Banks,			£ 330,919
6 Joint-Stock Banking Companies, having 18 Banks,			85,459
			£ 416,378

All banks of issue are still excluded from receiving accommodation, by discount or otherwise, from the Bank of England. There seems, however, to be a difference of opinion among the directors as to the propriety of continuing this exclusion. Mr. Morris thinks that under the Act of 1844, the rule may be relaxed:—

"Do you not refuse discounts to all banks of issue?—We have always refused discount accounts to banks issuing their own notes.

"Upon what ground?—The ground upon which I understand it has been refused is, that, previous to the Act of 1844, the bank made arrangements with certain joint-stock banks, to induce them to adopt the Bank of England circulation; and after the Act of 1844 had been passed, it was thought that it would be hard not to continue the same facilities to those banks which they had obtained from the bank before the passing of the Act; that arrangement having been made for our mutual convenience."

"It is, however, a complaint, that you have a stringent rule, by which you refused discounts or accommodation to all banks of issue?—I have no objection to state, speaking individually, that now that the Act of 1844 has been passed, I do not see any reason why they should not be placed on the same footing as the others; but the reason the court has not acceded to that, is in consequence of those parties having

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worked with us at a period when it was useful to us that they should do so." (*Commons*, 2996 to 3000.)

But Mr. Cotton entertains different sentiments : —

"Can you inform the committee of the reasons why the Bank of England refuses accommodation to parties who issue notes? — There are, in my opinion, good reasons for that; those reasons appear in the following paper, which I have drawn up: 'Issuing banks, were the right of discounting conceded to them, would keep an insufficient reserve of their own notes, of Bank of England notes, or coin, perhaps none, relying on discounting with the bank on every demand, and most pressing on the bank when it was restricting its issues. — There are about 300 banks of issue in England and Wales, for all of which the bank would have to provide gold. — The measure would tend to frustrate one of the objects of Act 7 and 8 Vict. c. 32 (the ultimate establishment of a single bank of issue), by withdrawing a motive to banks of issue to adopt Bank of England circulation. It would give some ground of complaint to those bankers who have already abandoned their circulation, by placing their issuing competitors on a level with themselves as to discounting. It would, as respects Manchester and Liverpool, be inoperative, there being no banks of issue at those places. It would be difficult in times of pressure or adverse exchanges to control the discounts; and such contraction, if enforced, would be obnoxious to such issuing banks as had been in the habit of discounting. The banks would consider they had acquired a right to discounts, and would probably ascribe to the capricious action of the Bank of England any losses consequent on a necessary contraction of accommodation.' " — (*Commons*, 4312.)

The Laws of the Currency with Reference to the Country Banks.

These are thus stated in the article previously quoted, in the *Foreign and Colonial Review* : —

"It will readily occur to every reader, that the laws which regulate the circulation of these country banks must be different from those which regulate the London circulation of the Bank of England. They do not pay the public dividends; they cannot issue their notes in purchasing bullion, or Government stock, or Exchequer bills, as all these operations take place in London, where their notes do not circulate. They are also subject to certain restrictive laws to which the notes of the Bank of England are not subject. Their notes are not only legally payable on demand, but payment is constantly demanded; while no one demands payment of a Bank of England note, unless he has occasion to export the gold. There is also a system of exchanges between country bankers, by which all notes that are paid into any of the banks are immediately brought back for payment to the banks that issued them. It is the practice, too, throughout the country, to allow interest on deposits; and thus all notes not required for the actual wants of the community are promptly withdrawn from circulation, and lodged with a bank upon interest.

"On inspecting the monthly returns of the country circulation for the last ten years, we find that the highest amount is in the month of April; thence it descends, and arrives at the lowest point by the end of August, which is the lowest point in the year. It gradually increases to November; a slight reaction takes place in December; but it then advances, until it reaches the highest point in April. The general law is, that the country circulation always makes one circuit in the year; being at its lowest point in August, and advancing to December, and continuing to

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advance to its highest point to the month of April, and then again descending to its lowest point in August.

“The laws which regulate the circulation of the country banks are derived from the state of trade in the respective districts in which the banks are established. As these banks are chiefly located in agricultural districts, the operations of agriculture have a very considerable influence in their regulation. Hence the advance in the spring, and the advance again after August, in consequence of the harvest. It is clear that the laws must be uniform in their operation, because the fluctuations of circulation in each year are uniform, and constantly recur with the return of the season. The slight reaction in December is probably occasioned by the collection of the public revenues and of landlords’ rents in the country districts, and the general dulness of trade in that month.

“It may also be observed, that the issues of the joint-stock banks, and of the private banks, are subject to the same laws. The issues of both classes of banks rise together and fall together, and they have maintained nearly the same *relative* amount during the last seven years.

“The laws which regulate the annual fluctuations of the country circulation, that is, which determine the variations in the amounts of the country circulation, not within the year, but taking corresponding periods of different years, are also dependent on the state of trade in those years. If there be an increase of trade without an increase of prices, more notes will be required to circulate the increased quantity of commodities. If there be an increase of commodities, and also an advance of prices, a still larger amount of notes would be required. There are also other circumstances that may permanently affect the amount of the country circulation.

“During the last five years there has been a gradual reduction in the annual amount of the country circulation, as appears from the following Table, which shows the average amount in each year, from 1839 to 1843, both inclusive :—

1839,	£ 11,715,527	1842,	£ 8,249,052
1840,	10,457,057	1843,	7,667,916
1841,	9,671,643		

“We attribute this extensive reduction in the country circulation to the following causes :—First, The great dulness of trade which has taken place in every part of the country. Secondly, The fall in the price of corn in connection with bad harvests. Thirdly, The introduction of the penny postage, and the system of registered letters. The uniform penny post was commenced on the 10th of January, 1840, and the registry of letters on the 6th of January, 1841. In consequence of these arrangements, every banker sends off every night, either to London or elsewhere, for payment, all the notes of other banks he may have received during the day, excepting those issued in the same town. This must have occasioned a large reduction in the amounts returned as notes in circulation. The amount in the hands of the public is the same, but the amount in the hands of other bankers is considerably reduced. Fourthly, The practice of keeping banking accounts has extended very much of late years. In-

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stead of carrying notes in their pockets as formerly, people now lodge the notes with their banker, and make their payments by giving cheques on the bank. The facilities of travelling by railways and other means have also tended to diminish the amount of notes in circulation, and to cause them to be returned more rapidly for payment to the bankers. Fifthly, the circulation of the private bankers has been reduced by failures, and by merges into joint-stock banks; and, on the other hand, several joint-stock banks have withdrawn their own notes, and made arrangements for issuing the notes of the Bank of England."

It will be seen by the following Table, that the country circulation is governed by the same laws since the passing of the Act of 1844:—

An Account of the average Circulation of the Private and Joint-Stock Banks of Issue, during the last Week in the Months of April, August, and December, for the Years 1845, 1846, 1847, and 1848.

Date.	No. of Banks.	PRIVATE BANKS.		No. of Banks.	JOINT-STOCK BANKS.	
		Authorized Issue.	Actual Circulation.		Authorized Issue.	Actual Circulation.
1845.		£	£		£	£
April 26	199	5,011,097	4,655,636	71	3,477,321	3,272,034
Aug. 30	199	5,011,097	4,369,458	71	3,477,321	3,129,952
Dec. 27	197	5,009,021	4,481,038	70	3,469,872	3,160,010
1846.						
April 25	197	5,009,021	4,700,170	70	3,469,872	3,229,744
Aug. 29	197	5,009,021	4,384,136	70	3,469,872	3,085,200
Dec. 26	196	4,999,444	4,528,208	67	3,418,277	3,145,702
1847.						
April 24	196	4,999,444	4,700,169	67	3,418,277	3,228,717
Aug. 28	196	4,999,444	4,150,688	67	3,418,277	2,927,462
Dec. 25	187	4,880,389	3,525,157	65	3,261,906	2,417,528
1848.						
April 29	187	4,880,389	3,919,739	67	3,409,987	2,834,799
Aug. 26	187	4,880,389	3,473,839	67	3,409,987	2,455,664
Dec. 30	184	4,822,488	3,492,340	66	3,409,987	2,529,498

From the pressure in the year 1847, the country circulation in December was less than in August. Will they who contend that country bankers can extend their issues as they please, have the kindness to inform us why those bankers did not increase their issues when money was so valuable?

I cannot better state my own views of the principles of the country circulation, than by transcribing a portion of my evidence given before the Committee on Banks of Issue, in March, 1841, when examined by Sir Robert Peel:—

"*Sir Robert Peel.*—Would you recommend that the paper thus issued should be convertible into gold at the will of the holder?—Yes.

"You think that is an absolutely necessary check against excessive issues?—I think it is a necessary check.

"What reference is made in the issue of paper to the quantity of gold in the country, and to the ultimate ability of the parties to discharge their paper engagements in gold?—The bankers in issuing their notes do not make any reference to the quantity of gold in the country, but they make

reference to their ability to discharge those notes when returned to them for payment.

“What is the nature of the reference which they make? — By keeping securities available for the purpose of being sold in order to discharge those notes whenever presented to them for payment.

“They have no reference whatever to the state of the exchanges? — No; when I say no, I mean not with the view of regulating the amount of notes by the exchanges; but bankers, whether banks of issue or not, notice the exchanges as naturally as they would notice the prices of the funds, in order that they may be able to judge as to the future value of money, so as to exercise their discretion with reference to their investments.

“They do not notice the state of the exchanges with a view to determine the policy of contracting or increasing their issues? — No; not with a view of making the amount of their issues correspond. If they see that the exchange is likely to become unfavorable, bankers will naturally be more cautious in making advances, and more cautious of coming under engagements, than they would be when they found that the exchanges were favorable; but there is no intention on the part of the country banks to make their notes correspond with the amount of the bullion in the Bank of England.

“A country banker would rely upon the sale of his securities, and that only in case of a demand for gold? — In case of a general run, he would depend upon the stock he had in hand, and the further stock he might realize by a sale of securities.

“If all parties continued to issue, none of them having reference to the state of the exchanges, but relying upon the available resources which a sale of securities might supply, do not you think that there might be a danger of a sudden demand for gold, and of an inability on the part of those issuers to discharge their engagements in gold? — I do not think there would be any danger of that at all, because each bank would take care of itself; if you suppose that the whole circulation of the country comes in at once and demands gold, it is quite clear that gold cannot be found to pay it off, and that is equally the case with the Bank of England and any other bank, and it is equally the case with us who are banks of deposits; if all the depositors were to come together at the same time and require their deposits, we should be unable to pay them, but we could realize our securities, and pay them off, if they were to come gradually.

“Suppose there was one bank which had the charge of the paper circulation of the country, and had the means, therefore, by constant reference to the state of the exchanges, of determining the amount of the paper circulation, do not you think that there would be a greater security against a sudden demand for gold, and an inability to pay that gold, than there is when there are a great many issuers, none of whom, according to your own statement, pay the slightest regard to the state of the exchanges? — No, I think not.

“What then supplies the check? — The check upon the private bankers is, that their circulation cannot be issued to excess; whereas, if you had a bank which should issue notes for so much gold, then every time

there was a favorable course of exchange, there would be a large issue of notes, which notes would necessarily reduce the rate of interest, lead to speculation, and turn the exchanges again by causing investments to be made in foreign countries. Now, as issues are at present conducted, bankers are under several checks which would not apply to such a bank; for instance, the check of the interchange with each other of their different notes once or twice a week, and the check of having their notes payable on demand; whereas the notes of such a bank as you suppose would not be diminished except when gold was wanted to be sent abroad. Another check is the practice of giving interest upon deposits, by which all the surplus circulation is called in and lodged with the banks; now, such a bank as you have supposed would not be under the control of those checks, and it would be under the necessity of increasing the circulation whenever the exchange became favorable; and we know by experience, that the most sure way of making the exchanges unfavorable is a previous excessive issue; that previous excessive issue would necessarily arise, on the principle you have supposed, every time the exchange was favorable.

“You think that there is some cause in operation which applies equally to all issuers of paper, and prevents any undue issue of paper, and dispenses with the necessity of any reference, on the part of each issuer, to the state of the exchanges? — That is the case with all country issuers of paper. With regard to the Bank of England, who have the power of issuing their notes in exchange against bullion, in the purchase of Exchequer bills and Government stock, it is quite clear that notes put into operation in that way, being thrown in a mass upon the previously existing state of trade, will have the effect of raising prices and reducing interest, and turn the exchanges; but if notes are issued merely to pay for transactions that have previously taken place, and are drawn out by the operations of trade, those notes will have no such effect.

“Supposing, at present, the Bank of England observed that the exchanges continued unfavorable for a long period, and that there was a progressive diminution in the amount of their bullion, and supposing that they saw that in the course of two years their bullion was reduced from ten millions to four millions; do you think it would be desirable that the Bank of England should take any step whatever to guard against the ultimate consequences of that state of things, by restricting the paper circulation? — I think such a case may occur, but I think in ordinary times the Bank of England might hold foreign securities, by which they would bring back gold to this country, and thus prevent any necessity for a contraction of the circulation; at the same time, I do not at all question the possibility of such a case occurring as may render a contraction necessary; nor do I at all question the influence of a contraction to have some effect upon the exchanges; but I contend that, as an ordinary principle of action, the bank ought not to expand their circulation, so as to cause the exchanges to be unfavorable, nor calculate upon a contraction of the circulation for the purpose of remedying the exchanges.

“Then you do think that the expansion of the circulation of the Bank of England may cause unfavorable exchanges? — Yes.

“Why should not the expansion of the circulation on the part of the country issuers produce the same effect? — Because the country circulation is under checks, whereas the Bank of England circulation is not; the country circulation can be issued only in consequence of transactions which have taken place, and to the extent only required by the wants of the district; whereas it is obvious that the Bank of England has the power of increasing the circulation by the purchase of exchequer bills or stock, or by purchasing bullion, and throwing a mass of notes on the market when the state of trade does not require them.”

Chairman. — “Have you any further observations to make to the committee? — When the first question was asked of me, at the commencement of my examination, I stated that I appeared before the committee as the representative of the joint-stock banks, and that, therefore, in expressing any opinions consistently with the resolutions which they had passed, I wished to be considered as speaking the sentiments of the joint-stock banks, but, should the committee ask me any question not connected with the circumstances of country issues, that I wished to be considered as speaking my own individual opinions. The points upon which I wish to be considered as speaking the sentiments of the joint-stock banks are as follows: I speak the opinions of the joint-stock banks, in saying that their circulation cannot be made to fluctuate in exact conformity with the circulation of the Bank of England, or with the stock of gold in the Bank of England; that the country issue is drawn out by the demands of trade, and is subject to checks to which the circulation of the Bank of England is not liable; that the country bankers have not the power of issuing their notes to excess; that they cannot contract their circulation or expand it as they please; and also, that the country circulation does not influence the prices of commodities, and that it cannot be regulated by the principles of the foreign exchange. I speak the opinions of the joint-stock banks when I say that the abolition of the country circulation would cause very considerable distress; would limit the power of the country banks to grant the same accommodation to their customers; would compel many of their customers to sell their property, thus lessening the value of real property; that country bankers would be compelled to increase their charges to their customers; and, in some cases, that those banking establishments would be altogether abolished, in consequence of not being able to supply sufficient profit for carrying them on; that, in some other cases, however the country circulation would be substituted or superseded by a bill circulation, nevertheless considerable distress would exist throughout the country, and that not only country banks themselves, but their customers and the public in general, would be subject to very considerable loss and inconvenience. In other opinions which I have expressed with regard to the regulation of the currency, and the principles upon which the Bank of England ought to be managed, also, as regards the extracts which have been made from my own works, and other matters I need not particularly specify, I wish to be understood as giving my own opinions, without saying whether those opinions do or do not meet the concurrence of the joint-stock bankers. I take the responsibility of these entirely upon myself.”

The country bankers residing in the same neighbourhood usually make their exchanges once a week, and pay the difference in London on the following day. This arrangement is of considerable advantage to all parties. Suppose I as a country banker receive in the course of a week the sum of £ 10,000 in the notes of a neighbouring bank, and that bank receives the same amount of my notes ; if we exchange notes, there is an end of the transaction. I pay the notes that bank has upon me by the notes I have upon that bank, and each of us has £ 10,000 less in circulation. But suppose we refuse to exchange notes with each other, then I take his notes and demand Bank of England notes and sovereigns, and he does the same with me. Hence each of us must keep a balance of £ 10,000 more in gold or Bank of England notes, and also an additional sum to answer any sudden emergency that may arise at any time from that banker having more than the usual amount of notes, and to meet any run that he may be disposed to make upon me. Thus it is that country banks, by exchanging notes, and receiving payment of the difference in London, are enabled to carry on their business with a less amount of ready cash, and to prevent the danger that might arise from being run upon by each other. Those banks only exchange which are in the same neighbourhood. Were I to receive the notes of a bank at some distance off, I should send these notes to London, and that banker would send my notes to London, and they would be paid by our London agents. We should not exchange with each other, because it would cost more to send a messenger with the notes to be exchanged, than it would cost postage to London. Here I have to pay the postage of these notes to London, and I have also to pay the expense of having my notes which have been paid in London sent down to me.

The exchange between any two banks established in the same place, will be regulated by the character and extent of the business they may respectively carry on. The balance may for a considerable length of time be uniformly in favor of one of these banks, and then for a considerable period in favor of the other ; or it may fluctuate weekly, and at the year's end be found to be neither favorable nor unfavorable. I shall endeavour to investigate the causes which govern these changes. In the first place, I shall presume that each bank is a bank of deposit, of discount, of remittance, of agency, and of circulation. The claims upon each bank will then consist of, — 1. Cheques drawn against deposit accounts. 2. Its own notes. 3. Notes issued by its agents or other branches. 4. Letters of credit granted by agents or branches. These claims or obligations will get into the possession of the rival bank by some of the following ways : — 1. As lodgments on deposit accounts. 2. In payment of local bills. 3. For bills or letters of credit on agents or branches. 4. Received for collection by post from some agents or branches. The exchanges will now be more or less favorable according to the following circumstances : —

1. The discounting of bills not payable in the place where the banks are established, has a tendency to render the exchanges unfavorable.

If, for example, a country banker discounts bills payable in London, he issues his own notes for the amount at the time the bill is discounted, and

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some of these notes will get into the rival bank and render the exchanges unfavorable. When the bills are due, the London agent receives the amount from the accepters ; but this has no effect on the local exchange. Hence a bank that discounts a large amount of London bills must expect to have large sums to pay in the exchanges. There are some cases, however, in which the discounting of London bills will not affect the local exchange : these are, — 1. When the amount of the bill is not taken in notes, but in a draft on the London or some other agents. 2. When the amount of the bill is placed to the party's current account, the exchanges will not be affected so long as it remains on that account. 3. The exchanges will not be affected, if the notes issued for the London bill should be retired either by the bank that issued them, or by any of its agents.

2. If a bank has to pay a large amount, or letters of credit, issued upon it by its agents or branches, the exchanges may become unfavorable.

The exchange between any two banks may be affected by other circumstances than local connections. If one bank is *drawn upon* by agents or branches, or has to pay notes issued by agents or branches, and the other has no such connections, then the exchange will be unfavorable to the former bank and favorable to the latter. Some of these notes or letters of credit, and some of the notes issued for the letters of credit, will probably get into the possession of the rival bank, and appear in the exchange.

3. If a bank issues a large amount of bills, or letters of credit upon its agents or branches, the tendency is to render the exchange favorable.

The bank receives the money for these bills or letters at the time it issues them. This money will often be composed of the notes chiefly in circulation, and a part of them will consist of the notes or obligations of the rival bank, and will be paid in the exchange : or if the bank receive from its agents or branches any claims upon the rival bank, or even any bills to be collected, the effect will be to render the exchange favorable in the same way as the granting letters of credit upon those agents or branches.

4. The increase of lodgments on current accounts has a tendency to render the exchanges favorable.

On these accounts money is received and money is paid out daily. The receipts of money tend to throw the exchange in favor of a bank, because some portion of these receipts will consist of the obligations of the rival bank. The payment of money tends to render the exchange unfavorable, because some of the notes issued in payment will find their way into the other bank. When therefore the receipts are more in amount than the payments, the exchanges are likely to be favorable. When the total deposits lodged in a bank continue to increase, the exchange will probably be favorable *during the progress of* such increase ; but after the deposits have ceased to increase, the exchange will not be more favorable than before the increase began. As long as the amounts of the deposits in the respective banks remain stationary, the operations on those accounts will not affect the exchanges, although the deposits in one bank may be twice the amount of those in the other. But if from a transfer of accounts or from other causes the deposits increase in one bank and di-

minish in the other, the exchanges during these operations will be in favor of the bank whose deposits are on the increase. But let the progress of increase be over, and the amounts of the respective lodgments become permanently fixed, then as far as the operations on the current accounts are concerned the exchanges will again be equal.

5. An increase in the amount of local bills under discount has a tendency to render the exchanges unfavorable. Local bills are bills payable in the place where the bank is established. The operations on the local bill account are similar to those on the deposit account. When these bills are discounted, notes are issued, — when the bills are paid, notes are received. When the amount of local bills paid is greater than that discounted, the tendency is to render the exchanges favorable. Thus, to reduce the amount of local bills under discount, is to render the exchanges favorable; and to increase the amount, is to render them the reverse. But though the operations on the local bill account are similar in their nature to those on the current accounts, yet the effect is different as to their influence on the exchanges. For as the amount of the local bills under discount increases, the exchanges become unfavorable: but as the deposits increase, the exchanges become advantageous. In the increase of local bills, the issue of notes will be more than the receipts; but in the increase of the deposits, the receipts will be more than the issues.

As the laws of the country circulation are the same, whether the notes are issued by private or by joint-stock banks, I have introduced the subject into this section on the Private Country Banks, and have altogether omitted it in the following section on the Country Joint-Stock Banks.

SECTION V. — COUNTRY JOINT-STOCK BANKS.

By a clause in the charter of the Bank of England, no partnership formed for carrying on the business of banking could consist of more than six persons, but by an Act passed in the year 1826, copartnerships of more than six in number are permitted to carry on business as bankers in England, *sixty-five miles from London*, provided they have no house of business or establishment as bankers in London, and that every member of such copartnership shall be responsible for all the debts of the company. They must also deliver to the Stamp-office the names and places of abode of all their members, and also a list of their officers. These lists are to be copied into a book, which any person is entitled to see on paying one shilling, and to obtain a copy for ten shillings. The banks may sue and be sued in the name of their public officer, and execution upon judgment may be issued against any member of the copartnership.

We take the following account of these banks from a Report of a Committee of the House of Commons, appointed in the year 1836 to inquire into the operation of the Act 7 Geo. IV. c. 46, for permitting the establishment of Joint-Stock Banks: —

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"The evidence taken before your committee, and the returns from the Stamp-office, establish the fact that these banks are rapidly extending in all directions; that new companies are daily forming, and that an increased number of branches and agencies are spreading throughout England, even in small towns and villages; that a principle of competition exists, which leads to the extinction of all private banks, and to their conversion into banking companies. The mode in which this is effected, and the principle on which the issue of transferable shares acts at once on private banks, and generally on commercial credit, is fully developed in the evidence.

"Your committee have had before them the deeds of settlement of the greater number of the existing joint-stock banks, and they proceed to submit to the House an analysis of some of their leading provisions.

"Though the general objects of these establishments are much alike, yet there are some variations in their deeds of settlement which it may be material to point out.

"First, as to the power of altering the regulations of the company.

"The active duties are generally delegated to a small body called the directors, while the main body of proprietors reserve to themselves the power of selecting the directors, and of altering from time to time the rules by which the directors are to be governed. Indeed, it might have been expected that the proprietors would always have reserved to themselves this power; nor should this general rule have been noticed, had it not been necessary to point out a single exception to it, in the case of one particular company, in which all the powers of the company are vested in the directors of the central bank, till January, 1838, and even after that date this authority is only to be controlled by the 'general board of directors,' consisting of the central directors themselves, and of the local directors of branch banks, appointed by them. The deeds of all the other companies expressly give a power to the shareholders to make new laws and regulations.

"Secondly, as to the mode of conducting the business of banking.

"This is for the most part set out in general terms. Some banking companies content themselves with defining the business to be 'banking in all its branches'; in other cases, it is called 'the business of bankers.'

"Advancing money on real security is in no instance forbidden. The deeds of three companies are silent on the subject; the rest expressly allow it.

"The majority of the deeds are silent on the subject of the purchase of land. The _____ Banking Company expressly allows it. The _____ Banking Company and the Union Banking Company expressly forbid it.

"An advance of money on mining concerns is in no instance expressly allowed; in many it is expressly forbidden; in the majority, it is passed over in silence.

"Advances of money upon any 'public foreign government stock, or the stock of any foreign chartered public company,' is directly sanctioned in the deeds of four banking companies. Investment in foreign government stock or funds is allowed by the deed of another bank. Such advances are expressly forbidden by many of the deeds, and are passed over in silence by many others.

"In no instance is the company forbidden to become the purchaser of its own shares; but, on the contrary, power is expressly given to do so by means of the deeds, and that to any amount. The only modifications of this power which your committee have found are in the case of one banking company, in which the directors are authorized to purchase shares in the case only of a refusal to admit as a proprietor the person proposing to buy; and in the case of another bank, the number of shares to be bought in by the directors is restricted to forty.

"Thirdly, as to the degree of publicity to be given to the proceedings.

"No principle seems to be more attended to, or prominently put forward, than that of preserving secrecy as to the state of the accounts of the customers of the banks. To this principle there does not appear to be an exception.

"The directors are in general required to sign a declaration pledging themselves to observe secrecy as to the transactions of the bank with their customers, and the state of the accounts of individuals. In some of the companies, this declaration is also to be signed by all the clerks and officers. One banking company goes so far as to require an oath to this effect. If the proprietors are dissatisfied with the statement of accounts made by the directors, a power is generally reserved to appoint auditors or inspectors for the examination of the books; but these auditors or inspectors are required to sign a similar declaration of secrecy.

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"No proprietor, not being a director, is entitled to inspect any of the books of the company.

"The directors are in general bound to exhibit to the general meeting of the shareholders a summary or balance-sheet of their affairs, and to make such further statement or report as the directors may deem expedient and conducive to the interests of the company. In the case of one of these banks, even this is not obligatory by the terms of the deed, which leave it to the discretion of the directors whether they do or do not exhibit a balance-sheet. In a very extensive bank, the proprietors annually appoint auditors to examine the affairs of the company, and to report therein.

"In some of the companies the principle of secrecy is carried still further: two of the directors, selected from the rest, are the exclusive depositors of the power of inspecting the private accounts of customers. These persons are sometimes called 'confidential directors.' This provision is stated to be made 'in order that the credit and private transactions of individuals may be preserved inviolate.' Sometimes they are called 'managing directors'; sometimes 'special directors.' In other companies, though all the directors have the power of inspection of the accounts of customers, two of the directors are selected to inspect bills and notes, 'in order to prevent the exposure of such bills of exchange and promissory notes as may pass through the bank. These two directors are called 'the bill committee.' In two of the companies, a single person, called 'the manager,' has the exclusive power of inspecting bills and notes.

"Fourthly, as to the terms on which the company is to be dissolved.

"The deeds of all these companies contain some provision for dissolution in certain contingencies. It is in general provided that a dissolution of the company shall take place by reason either of a certain amount of loss, or of a voluntary agreement. Dissolution by reason of loss in the great majority of the deeds is provided for in the following manner.

"It is necessary to premise that the directors of each of these companies are bound to set aside a certain portion of the profits to form a fund to meet extraordinary demands, which fund is sometimes called the 'surplus fund,' sometimes the 'reserve fund,' but more usually the 'guarantee fund.' The ordinary provision for dissolution is to this effect:—'That if the losses sustained shall at any time have absorbed the whole of this guarantee fund, and also one fourth of the capital paid up; then any one shareholder may require the dissolution of the company, which shall take place accordingly, unless two thirds in number and value of the shareholders shall be desirous of continuing the company, and shall purchase the shares of those proprietors who wish to withdraw. In one bank the dissolution of the company takes place upon a loss of one fifth instead of one fourth of the capital. In two other banks no mention is made of the guarantee fund.

"The provision of the great majority of deeds, as above stated, is, that in the event of a given amount of loss, any one shareholder may propose the dissolution. In some, three shareholders are required. In the Banking Company A. the requisition for dissolution must be made by ten shareholders holding 200 shares; in the Bank B. by one fourth of the company; but if the loss amount to one half the capital, then by any single shareholder.

"By the general provisions of the great majority of deeds, the dissolution of the company, though duly proposed, may be averted by two thirds of the proprietors; but in some there exists no such restriction; and on the occurrence of a given amount of loss, the dissolution, if proposed, must necessarily take place. In other instances, on the appearance of a given amount of loss, the dissolution is to take place immediately, even though no partner should propose it."

LIST OF COUNTRY JOINT-STOCK BANKS.

The following Tables contain a complete exhibit of the Country Joint-Stock Banks, as in existence, July, 1849, arranged in alphabetical order, and showing,—I. The location of the Head Office. II. When established. III. Number of Branches. IV. Paid-up Capital. V. Reserved Fund. VI. Last Dividend. VII. Amount of Authorized Issue. VIII. Name of Manager.

List of the existing COUNTRY JOINT-STOCK BANKS, arranged in the Alphabetical Order of their Head Offices.

No.	NAME.	Head Office.	When first Established.	Number of Branches.	Paid-up Capital.	Reserved Fund.	Last Dividend.	Amount of Authorized Issue.	Name of Manager.
					£.	£.		£.	
1	Ashton, Stalybridge, Hyde, & Glossop Bank.	Ashton.	June 18, 1836	none	37,140 0	....	5 per cent.	....	J. R. Coulthart.
2	Barnsley Banking Company.	Barnsley.	Jan. 25, 1832	none	37,500 0	....	8 " "	9,563	S. Linley.
3	Birmingham Banking Company.	Birmingham.	Sept. 30, 1829	2	200,000 0	60,000	10 p. cent. & 5 bonus.	....	W. Beaumont.
4	Birmingham Town & District Banking Company.	Birmingham.	July 4, 1836	none	74,300 0	40,000	10 per cent.	....	B. Smith.
5	Birmingham & Midland Bank.	Birmingham.	Aug. 15, 1836	none	90,000 0	38,162	3l. 15s. per share.	....	C. Geach.
6	Bank of Bolton.	Bolton.	May, 30, 1836	none	.....	....	.....	....	J. Darbyshire.
7	Bradford Banking Company.	Bradford.	July 7, 1827	none	154,000 0	....	10 per cent.	49,292	S. Laycock.
8	Bradford Commercial Joint-Stock Banking Company.	Bradford.	Feb. 27, 1833	none	.....	....	.....	20,084	J. Hill.
9	Stuckey's Banking Company.	Bristol.	Oct. 9, 1826	24	.....	....	.....	366,976	J. Manningford.
10	West of England & South Wales District Bank.	Bristol.	Dec. 23, 1834	11	267,287 10	33,443	7 per cent.	83,535	J. Bates.
11	Barton, Uttoxeter, & Ashbourne Union Bank.	Bury.	Oct. 16, 1839	2	64,875 0	33,692	.....	60,701	W. Coward.
12	Bury Banking Company.	Bury.	June 14, 1836	none	.....	....	.....	....	A. Davidson.
13	Carlisle City & District Banking Company.	Carlisle.	Feb. 20, 1836	1	58,000 0	20,419	10 per cent.	19,972	B. Ward.
14	Carlisle & Cumberland Banking Company.	Carlisle.	Oct. 8, 1836	2	51,925 0	17,608	8 " "	25,610	W. Ridler.
15	Cheltenham & Gloucestershire Bank.	Cheltenham.	May 19, 1836	1	40,000 0	....	6 " "	12,786	{ J. H. Bowley & E. Frampton.
16	County of Gloucester Bank.	Cheltenham.	Aug. 1, 1836	10	200,000 0	....	5 " "	144,352	
17	Chesterfield & North Derbyshire Banking Company.	Chesterfield.	Dec. 21, 1833	none	23,230 0	5,624	7 " "	10,421	G. Walker.
18	Coventry & Warwickshire Banking Company.	Coventry.	Dec. 13, 1835	none	.....	....	.....	28,734	T. Lissaman.
19	Coventry Union Banking Company.	Coventry.	May 12, 1836	1	36,000 0	....	5 per cent.	16,251	H. Gaskell.
20	Darlington District Banking Company.	Darlington.	Dec. 22, 1831	5	.....	....	.....	26,134	A. Disdale.
21	Derby & Derbyshire Banking Company.	Derby.	Dec. 28, 1833	1	44,950 0	....	7 per cent.	....	M. Sinclair.
22	Saddleworth Banking Company.	Dobcross.	June 29, 1833	2	.....	....	.....	8,122	F. S. Buckley.
23	Dudley & West Bromwich Banking Company.	Dudley.	Dec. 30, 1833	1	43,350 0	46,000	10 per cent.	37,696	C. E. Molineux.
24	Gloucestershire Banking Company.	Gloucester.	June 23, 1831	8	120,000 0	70,630	12 " "	155,920	J. C. Green.
25	Halifax Joint-Stock Banking Company.	Halifax.	Nov. 11, 1829	none	65,000 0	....	5 " "	18,534	J. Caw.
26	Halifax & Huddersfield Union Banking Company.	Halifax.	June 29, 1836	1	169,050 0	12,000	15s. per share.	44,137	J. Bowman.
27	Halifax Commercial Banking Company.	Halifax.	June 21, 1836	none	67,050 0	10 per cent.	13,733	F. Hardcastle

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List of the existing COUNTRY JOINT-STOCK BANKS. (Continued.)

No.	NAME.	Head Office.	When first Established.	Number of Branches.	Paid-up Capital.	Reserved Fund.	Last Dividend.	Amount of Authorized Loans.	Name of Manager.
					£ s.	£		£	
28	Haleson Banking Company.	Haleson.	Aug. 6, 1836	none	.....	.....	.....	1,593	J. Ellis.
29	Huddersfield Banking Company.	Huddersfield.	Aug. 7, 1836	3	45,257 10	.....	10s. per share.	25,047	J. K. Hastings.
30	Huddersfield Banking Company.	Huddersfield.	June 7, 1827	2	140,000 0	21,028	10 per cent.	37,354	D. Marsden.
31	West Riding Union Banking Company.	Hull.	Dec. 29, 1832	2	.....	.....	.....	34,929	J. Heron.
32	Hull Banking Company.	Hull.	Nov. 30, 1833	3	.....	.....	.....	29,333	G. Cobb.
33	Bank of Westmorland.	Kendal.	June 8, 1833	none	21,900 0	.....	12s. per cent.	12,225	J. Parkin.
34	Kingsbridge Joint Stock Bank.	Kingsbridge.	Dec. 1841	none	.....	.....	.....	3,992	{ R. Hurrell & G. B. Ledston.
35	Knarlesworth & Clarno Banking Co.	Knarlesworth.	Sept. 14, 1831	2	125,000 0	44,145	50s. per share.	98,090	{ J. Hall. J. Coulston.
36	Leamington Priors & Warwickshire Banking Company.	Leamington.	Oct. 9, 1836	3	.....	.....	.....	64,311	J. Coulston.
37	Leeds Banking Company.	Leeds.	Aug. 27, 1835	4	120,000 0	35,000	8 per cent.	13,873	T. H. Thorne.
38	Leeds Banking Company.	Leeds.	Nov. 22, 1835	none	144,964 0	.....	.....	23,076	F. Greenland.
39	Leicester Banking Company.	Leicester.	July 6, 1843	12	99,640 0	29,335	10 per cent.	122,532	J. W. Scott.
40	Leicester Banking Company.	Leicester.	Aug. 28, 1829	6	109,137 0	31,107	20s. per share.	86,060	G. Webb.
41	Leicester Banking Company.	Leicester.	March 15, 1836	4	100,000 0	9,000	10 per cent.	59,300	W. Billson.
42	Leicester Banking Company.	Leicester.	Aug. 10, 1833	8	100,000 0	269,467	10 " "	51,620	W. T. Page.
43	Leicester Banking Company.	Leicester.	May, 1831	none	625,000 0	150,439	8 " "	.....	J. Langton.
44	Leicester Banking Company.	Leicester.	Dec. 29, 1832	none	338,600 0	30,000	6 " "	.....	R. Angus.
45	Leicester Banking Company.	Leicester.	May 2, 1835	none	498,120 0	.....	2 " "	63,951	J. Lislet.
46	Leicester Banking Company.	Leicester.	April 30, 1836	24	215,450 0	.....	.....	.....	G. Rae.
47	Leicester Banking Company.	Leicester.	June 28, 1836	none	600,000 0	.....	.....	.....	W. Cross.
48	Leicester Banking Company.	Leicester.	April 30, 1836	none	420,000 0	86,930	6 per cent.	10,215	J. Charter.
49	Leicester Banking Company.	Leicester.	Dec. 27, 1833	60	750,000 0	123,357	8 " "	442,371	H. Whittall.
50	Leicester Banking Company.	Leicester.	Nov. 26, 1829	14	255,900 0	50,000	8 per cent.	.....	D. Robertson.
51	Leicester Banking Company.	Leicester.	May 6, 1836	none	40,000 0	.....	10 " "	.....	P. Thomson.
52	Leicester Banking Company.	Leicester.	June 15, 1835	10	36,300 0	2,640	5 " "	63,930	C. Smith.
53	Leicester Banking Company.	Leicester.	Nov. 6, 1811	4	330,650 0	124,064	8 " "	.....	P. M. James.
54	Leicester Banking Company.	Leicester.	May 23, 1836	..	50,000 0	9,000	7 per cent.	.....	T. Palmer.
55	Leicester Banking Company.	Leicester.	July 11, 1836	none	192,370 0	.....	6 " "	.....	J. Knight.
56	Leicester Banking Company.	Leicester.	July 16, 1836	6	60,000 0	13,784	7 " "	26,400	J. Fraser.
57	Leicester Banking Company.	Leicester.	July, 1836	3	192,500 0	42,956	14 " "	84,356	J. R. Spillet.
58	Leicester Banking Company.	Leicester.	May 23, 1836	2	105,000 0	13,350	5 " "	28,025	S. Percival.
59	Leicester Banking Company.	Leicester.	Feb. 27, 1836	10	.....	.....	.....	.....	W. S. Wilson.

List of the existing COUNTRY JOINT-STOCK BANKS. (Continued.)

No.	NAME.	Head Office.	When first Established.	Number of Branches.	Paid-up Capital.	Reserved Fund.	Last Dividend.	Amount of Authorized Issue.	Name of Manager
63	Nottingham & Nottinghamshire Banking Company.	Nottingham,	April 12, 1834	5	£ 200,000 0	£ 6,074	18s. per share.	£ 29,477	T. H. Smith.
64	Moore & Robinson's Nottinghamshire Banking Company.	"	July 12, 1836	none	73,000 0	....	10 per cent.	35,813	D. Derry.
65	Devon & Cornwall Banking Company.	Plymouth,	Dec. 31, 1831	12	103,075 0	8,451	6 " "	....	....
66	Portsmouth, Portsea, Gosport, & South Hants Banking Company.	Portsea,	April, 1839	1	....	....	....	....	Jackson & Jones
67	Preston Banking Company.	Preston,	June, 1844	none	100,000 0	2,536	5 per cent.	....	H. Graves.
68	Swaledale & Wensleydale Banking Co.,	Richmond,	Dec. 30, 1836	3	53,400 0	....	8 " "	54,372	J. Fisher.
69	Wills & Dorset Banking Company,	Salisbury,	Jan. 11, 1836	21	....	....	6 " "	76,162	S. Provis.
70	Storey & Thomas' Bank,	Shaftesbury,	Feb., 1840	1	....	....	....	9,714	....
71	Sheffield Banking Company,	Sheffield,	June 24, 1831	1	110,550 0	25,804	12½ per cent.	35,843	J. H. Barber.
72	Sheffield & Hallamshire Banking Co.,	"	May 20, 1836	none	135,350 0	13,517	5 " "	23,524	W. Waterfall.
73	Sheffield & Rotherham Banking Co.,	"	June 25, 1836	2	92,556 0	22,339	10 " "	52,496	W. Brown.
74	Sheffield Union Banking Company,	"	June, 1843	1	27,040 0	12,216	6 " "	....	E. Liddell.
75	Shropshire Banking Company,	Shifnal,	May 27, 1836	4	60,000 0	12,200	12½ " "	47,951	W. Allen.
76	Hampshire Banking Company,	Southampton,	April 25, 1834	4	50,000 0	15,031	9 " "	....	E. Atkins.
77	Stanford, Spalding, & Boston Banking Company.	Stanford,	Dec. 28, 1831	5	....	....	....	55,721	O. Edmunds.
78	Bank of Stockport,	Stockport,	May 3, 1836	none	31,850 0	....	....	....	F. Ovey.
79	Stourbridge & Kidderminster Banking Company.	Stourbridge,	April 9, 1834	2	100,000 0	....	10 per cent.	56,830	J. Amery.
80	Glamorganshire Banking Company,	Swansea,	Sept. 1836	1	100,000 0	12,332	8 " "	....	W. Stroud.
81	Sunderland Joint-Stock Bank,	Sunderland,	Aug. 4, 1836	none	75,000 0	....	5 " "	....	H. Parker.
82	Wakefield & Barnsley Union Banking Company.	Wakefield,	Oct. 25, 1832	1	40,000 0	....	6 " "	14,604	W. H. Dikes.
83	Warwick & Leamington Banking Co.,	Warwick,	Sept. 10, 1834	3	32,800 0	....	5 " "	37,124	H. Summerfield.
84	Whitchurch & Ellesmere Banking Co.,	Whitchurch,	Jan. 1840	1	....	....	....	7,475	J. Lowe.
85	Whitehaven Joint-Stock Bank,	Whitehaven,	May 25, 1829	1	42,375 0	15,000	12 per cent.	31,916	P. Cameron.
86	Bank of Whitehaven,	"	Jan. 1837	1	50,000 0	31,478	10 " "	32,631	S. Dodgson.
87	Wolverhampton & Staffordshire Banking Company.	Wolverhampton,	Dec. 28, 1831	none	50,000 0	....	17 " "	35,378	J. Wiley.
88	Bilston District Bank,	"	Sept. 6, 1836	none	30,375 0	6,887	7½ " "	9,418	T. Griffin.
89	Worcester City & Country Bank,	Worcester,	Nov. 1840	none	....	....	7 " "	6,848	E. Evans.
90	Cumberland Union Banking Company,	Workington,	March 13, 1820	5	50,000 0	15,946	12 " "	35,395	C. Brown.
91	York City & County Banking Company,	York,	March 2, 1834	8	100,000 0	45,743	10 " "	94,695	R. Barnes.
92	York Union Banking Company,	"	April 23, 1833	4	99,000 0	20,000	10 " "	71,240	B. T. Wilkinson.

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We have no official return of the present amount of the paid-up capital of all the joint-stock banks. But from the best information that has been collected on the subject, it would appear that the number of partners in all the banks in England (including those of London) is about 23,000, the paid-up capital about £ 14,000,000, and the reserved funds £ 2,000,000.

The following country Joint-stock Banks in England have stopped payment. As we have elsewhere discussed the causes of the failure of joint-stock banks generally, we need make no observations on them individually.

	<i>Date of Establishment.</i>	<i>Date of Stoppage</i>
1. Birmingham — Birmingham Borough Bank	Mar. 1837	1840
2. Devonport — Western District Bank	Sept. 1836	1844
3. Leamington — Leamington Bank	May, 1835	1837
4. Leeds — Leeds and West Riding Bank	Oct. 1835	1846
5. Liverpool — Liverpool Banking Company	Mar. 1836	1847
6. Manchester — Bank of Manchester	Mar. 1829	1842
7. Manchester — Commercial Bank of Eng- land }	Aug. 1834	1840
8. Manchester — Imperial Bank of England	Dec. 1836	1839
9. Newcastle — Newcastle Joint-Stock Bank	July, 1836	1846
10. Newcastle — North of England Bank	Dec. 1832	1847
11. Sheffield — Sheffield and Retford Bank	Aug. 1839	1846
12. Southampton — Southern District Bank	Dec. 1836	1841
13. Walsall — Walsall and South Stafford- shire Bank }	Aug. 1835	1840
14. York — Yorkshire Agricultural and Com- mercial Bank }	Aug. 1836	1843

No. 1 was formed out of the remnants of a branch of the Northern and Central Bank of England. No. 4 was formed on the private bank of Messrs. Smith & Son. No. 5 was at first called the Tradesman's Union Bank, and under that title made returns to the Joint-stock Banking Committee of the House of Commons in 1836. No. 10 is now winding up its affairs under "The Joint-stock Companies' Winding-up Act, 1848."

The following Joint-Stock Banks wound up their affairs without stopping payment:—

	<i>Date of Establishment.</i>	<i>Date of Winding up.</i>
1. Ipswich — Suffolk Banking Company	April, 1842	1845
2. Leeds — Yorkshire District Bank	Aug. 1834	1843
3. Leeds — Commercial Bank of Leeds	July, 1836	1846
4. Liverpool — Albion Bank	May, 1836	1842
5. Liverpool — Phoenix Bank	Jan. 1837	1838
6. Manchester — Northern and Central Bank of England }	Mar. 1834	1836
7. Manchester — South Lancashire Bank	May, 1836	1843
8. Manchester — Alliance Bank	Oct. 1839	1841
9. Oldham — Oldham Banking Company	Sept. 1836	1847

No. 2 was discontinued, and the shareholders formed a new bank, called the Yorkshire Banking Company, taking all the premises and offices of the old bank. No. 3 was formed on the private bank of Messrs. Bywater & Co. No. 4, The Tradesman's Bank of Liverpool merged in this bank. Afterwards it wound up, paying back to its proprietors all the

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capital and a bonus besides. No. 5 was formed out of the remnants of a branch of the Northern and Central Bank ; it existed only a short time. No. 8, The Northern and Central Bank, realized about 10s. in the pound of its capital. Some of the shareholders with that portion of their capital formed this bank. It never did much business, and after a while its capital was lent to the Bank of Manchester, upon the promissory notes of that bank, at two or three years' date, bearing interest at 5 per cent. No. 9 : a well-managed bank, but having only a small capital, the directors determined, after the pressure of 1847, to wind up its affairs.

Banks which stopped, and soon afterwards resumed : —

	<i>Date of Establishment.</i>	<i>Date of Stoppage.</i>
1. Liverpool — Royal Bank of Liverpool .	May, 1836 . . .	1847
2. Liverpool — North and South Wales Bank	May, 1836 . . .	1847
3. Newcastle — Union Bank of Newcastle	July, 1836 . . .	1847
4. Nottingham — Nottingham and Nottingham- shire Banking Company . . . }	April, 1834 . . .	1842

Nos. 1 and 2 stopped during the pressure of 1847, but soon afterwards resumed. No. 3 stopped at the same period, but have resumed at three of their branches, and are about to resume at Newcastle. No. 4 was stopped in 1842 by their London agent. They changed their agent, and resumed.

The following Joint-stock Banks have merged in other Joint-stock Banks : —

<i>Banks.</i>	<i>Banks into which they merged.</i>	<i>Date of Establishment.</i>	<i>When merged.</i>
1. Birmingham — Bank of Birmingham . . . }	Birmingham Banking Company . . . }	Aug. 1832 .	1837
2. Lichfield — Lichfield, Rugeley, and Tamworth Banking Company . . . }	National Provincial Bank . . . }	Nov. 1835 .	1838
3. Newport — Isle of Wight Banking Company . . . }	Ditto . . .	May, 1842 .	1844
4. Norwich — Norwich and Norfolk Bank . . . }	East of England Bank	Mar. 1827 .	1836
5. Stockton — Stockton and Durham County Bank . . . }	National Provincial Bank . . . }	Dec. 1838 .	1846

“Return of the Joint-stock Banks which have been established under the provision of the Act 7 Geo. IV. c. 46, stating the period when, and the place where, established, and likewise the dates at which any such banks, once established, had ceased to exist.” Besides those we have mentioned, this list contains the following : —

<i>Name of the Bank.</i>	<i>The Period when established.</i>	<i>The Places where established.</i>	<i>Date of ceasing.</i>
1. Bank of South Wales .	Feb. 26, 1835	Carmarthen	Last license, Oct. 1836.
2. Bristol Old Bank .	June 16, 1826	Bristol	Last license, Oct. 1840.
3. Bury and Heywood Bank- ing Company . . . }	Sept. 17, 1836	{ Bury and Heywood }	{ Last and only return, Sept. 1836.
4. Central Bank of Liver- pool . . . }	Dec. 3, 1836	Liverpool	Last return, April, 1839.
5. Gloucester County and City Bank . . . }	Dec. 31, 1834	Gloucester	Last return, June, 1836

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<i>Name of the Bank.</i>	<i>The Period when established.</i>	<i>The Places where established.</i>	<i>Date of ceasing.</i>
6. Holywell Bank, North Wales	Nov. 11, 1834	Holywell and Mold	Last license, Oct. 1835.
7. Leicestershire and Warwickshire Joint-stock Banking Company		Hinckley	
8. Leith Banking Company	Nov. 23, 1837	Carlisle	Last license, Oct. 1836
9. Nantwich & South Cheshire Bank	July 25, 1839	Nantwich.	

No. 1 is the private bank of Messrs. Watkins & Co. The number of partners exceeding six, the firm was registered as a joint-stock bank. The number has been reduced by death, and therefore the registry is no longer required. The head office is at Brecon. No. 2. This is the private bank of Messrs. Elton, Baillie, & Co., who, having eight partners, registered as a joint-stock bank. Three of the partners have since died, so that the number is reduced to five. Since the year 1844 they have discontinued the issue of their own notes. No. 3. This bank was in existence only a few months. No. 4. This was a small, ill-regulated bank, that brought itself to a close. No. 5. This bank was formed by Mr. Charles Cripps, who had been the agent of the Bank of England branch at Gloucester. It existed for a short time, and then became a branch of the County of Gloucester Bank. No. 6. This bank had seven partners. It is presumed to have been the private bank of Messrs. Douglas, Swalley, & Co., who stopped payment in the year 1839. No. 7. This bank was formed on the private bank of Messrs. Heming & Needham, at Hinckley. It continued only a very short time. No. 8. The Leith Banking Company had a branch at Carlisle, and consequently registered as an English bank. No. 9. This was a small, but respectable bank, that transferred its business, on the 1st of January, 1845, to the Manchester and Liverpool District Bank.

Two joint-stock banks have failed in the Isle of Man.

1. The Isle of Man Joint-stock Bank. This bank was formed on the private bank of Messrs. Forbes & Co. They were largely in debt to their London agent, and their affairs have led to much litigation.

2. The Isle of Man Commercial Banking Company. The business of this bank has been taken up by the City of Glasgow Bank, who have opened a branch in the island—called the Bank of Mona—under the management of Mr. John Stanway Jackson, who was formerly manager of the Manchester and Liverpool District Bank.

The following are the provisions of the Act 7 & 8 Vict. c. 113, passed in 1844, to regulate Joint-stock Banks in England:—

No Joint-Stock Bank established after 6th May last to carry on business unless by virtue of Letters Patent granted according to this Act; but Companies previously established not restrained from carrying on business until Letters Patent have been granted.

“Whereas the laws in force for the regulation of copartnerships of bankers in England need to be amended: Be it enacted by the Queen's most excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, That it shall not be lawful for any company of more than six persons to carry on the trade or business of bankers in England, after the passing of this Act, under any agreement or cov-

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enant of copartnership made or entered into on or after the sixth day of May last passed, unless by virtue of letters patent to be granted by her Majesty according to the provisions of this Act; but nothing herein contained shall be construed to restrain any such company established before the said sixth day of May, for the purpose of carrying on the said trade or business of bankers in England, from continuing to carry on the same trade and business as legally as they might have done before the passing of this Act, until letters patent shall have been granted to them severally on their application, as hereinafter provided, to be made subject to the provisions of this Act.

Company to Petition for a Charter.

"II. And be it enacted, That before beginning to exercise the said trade or business every such company shall present a petition to her Majesty in council, praying that her Majesty will be graciously pleased to grant to them letters patent under this Act; and every such petition shall be signed by seven at least of the said company, and shall set forth the following particulars; that is to say,—

"First, The names and additions of all the partners of the company, and the name of the street, square, or other place, where each of the said partners reside.

"Second, The proposed name of the bank.

"Third, The name of the street, square, or other local description of the place or places where the business of the bank is to be carried on.

"Fourth, The proposed amount of the capital stock, not being in any case less than one hundred thousand pounds, and the means by which it is to be raised.

"Fifth, The amount of capital stock then paid up, and where and how invested.

"Sixth, The proposed number of shares in the business.

"Seventh, The amount of each share, not being less than one hundred pounds each.

Charter to be granted on Report of Board of Trade.

"III. And be it enacted, That every such petition shall be referred by her Majesty to the Committee of Privy Council for Trade and Plantations; and so soon as the Lords of the said committee shall have reported to her Majesty that the provisions of this Act have been complied with on the part of the said company, it shall thereupon be lawful for her Majesty, if her Majesty shall so think fit, with the advice of her Privy Council, to grant the said letters patent.

Deed of Settlement.

"IV. And be it enacted, That the deed of partnership of every such banking company shall be prepared according to a form to be approved by the Lords of the said committee, and shall, in addition to any other provisions which may be contained therein, contain specific provisions for the following purposes; that is to say,—

"First, For holding ordinary general meetings of the company once at least in every year, at an appointed time and place.

"Second, For holding extraordinary general meetings of the company, upon the requisition of nine shareholders or more, having in the whole at least twenty-one shares in the partnership business.

"Third, For the management of the affairs of the company, and the election and qualification of the directors.

"Fourth, For the retirement of at least one fourth of the directors yearly, and for preventing the reelection of the retiring directors for at least twelve calendar months.

"Fifth, For preventing the company from purchasing any shares, or making advances of money, or securities for money, to any person on the security of a share or shares in the partnership business.

"Sixth, For the publication of the assets and liabilities of the company once at least in every calendar month.

"Seventh, For the yearly audit of the accounts of the company, by two or more auditors, chosen at a general meeting of the shareholders, and not being directors at the time.

"Eighth, For the yearly communication of the auditors' report, and of a balance-sheet, and profit and loss account, to every shareholder.

"Ninth, For the appointment of a manager, or other officer to perform the duties of manager.

"And such deed, executed by the holders of at least one half of the shares in the

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said business, on which not less than ten pounds on each such share of one hundred pounds, and in proportion for every share of larger amount, shall have been then paid up, shall be annexed to the petition; and the provisions of such deed, with such others as to her Majesty shall seem fit, shall be set forth in the letters patent.

No Company to commence Business till Deed executed and all the Shares subscribed for, and at least Half the Amount paid up.

" V. Provided always, and be it enacted, That it shall not be lawful for any such company to commence business until all the shares shall have been subscribed for, and until the deed of partnership shall have been executed, personally or by some person duly authorized by warrant of attorney to execute the same on behalf of such holder or holders, by the holders of all the shares in the said business, and until a sum of not less than one half of the amount of each share shall have been paid up in respect of each such share; and it shall not be lawful for the company to repay any part of the sum so paid up without leave of the Lords of the said committee.

Company to be Incorporated.

" VI. And be it enacted, That it shall be lawful for her Majesty, in and by such letters patent, to grant that the persons by whom the said deed of partnership shall have been executed, and all other persons who shall thereafter become shareholders in the said banking business, their executors, administrators, successors, and assigns respectively, shall be one body politic and corporate, by such name as shall be given to them in and by the said letters patent, for the purpose of carrying on the said banking business, and by that name shall have perpetual succession and a common seal, and shall have power to purchase and hold lands of such annual value as shall be expressed in such letters patent; and such letters patent shall be granted for a term of years, not exceeding twenty years, and may be made subject to such other provisions and stipulations as to her Majesty may seem fit.

Incorporation not to limit the Liability of the Shareholders.

" VII. Provided always, and be it enacted, That notwithstanding such incorporation the several shareholders for the time being in the said banking business, and those who shall have been shareholders therein, and their several executors, administrators, successors, and assigns, shall be and continue liable for all the dealings, covenants, and undertakings of the said company, subject to the provisions hereinafter contained, as fully as if the said company were not incorporated."

By the 48th section of this Act, " Every company of more than six persons carrying on the trade or business of bankers in England, shall be deemed a trading company within the provisions of an Act passed in this session of Parliament, entitled ' An Act for facilitating the winding up the affairs of Joint-stock Companies unable to meet their pecuniary engagements.' "

This Act is the 7 and 8 Vict. cap. 111 (September, 1844), and it renders all joint-stock companies subject to the law of bankruptcy. No joint-stock bank has ever been made bankrupt. It is presumed, from the number of regulations prescribed by the Act, that the process of bankruptcy would, in the case of a banking company, be both tedious and expensive.

In the year 1848 an Act was passed (11 and 12 Vict. cap. 45), to amend the Acts for facilitating the winding-up the affairs of joint-stock companies unable to meet their pecuniary engagements, and also to facilitate the dissolution and winding-up of joint-stock companies and other partnerships. The legal title of this Act, to distinguish it from other Acts is " The Joint-stock Companies' Winding-up Act, 1848."

The object of this Act is to enable the directors of an insolvent com-

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pany to compel the shareholders individually to pay their proportion of the loss. There was previously much difficulty in doing this. If all the nominal capital had been called up, the directors could make no further calls. In cases where they had the power of making calls these calls could not be enforced without an appeal to the Court of Chancery. It was therefore customary for the directors to "confess judgment" to some creditor, and this creditor brought actions against the refractory shareholders for the whole amount of his claim, but granted a release on receiving that sum which the shareholders ought justly to pay, in proportion to their shares.

By this Act the directors or any shareholder of a company that has stopped payment, may present a petition to the Lord Chancellor, or to the Master of the Rolls, in a summary way, for the dissolution and winding-up of the company. If the order be granted, it is referred to a Master in Chancery, who will appoint an official manager to wind up the affairs of the company. The official manager is to collect all the debts due to the company, and to pay all its creditors. With the consent of the Master he can make calls on the shareholders, for such amounts, and payable at such times, as the Master may direct. The company is to sue and be sued in the name of the official manager. The object of the Act, however, is rather to settle disputes and claims of the shareholders among themselves, than to protect them against their creditors. Clause 58 has an especial provision with reference to this subject:—

Act not to affect Rights of Creditors nor existing Contracts.

"LVIII. Provided always, and be it enacted, That, except as is by this Act expressly provided, nothing in this Act contained, nor any petition or order under the same for the dissolution and winding up or for the winding up of any company, shall extend or enlarge, diminish, prejudice, or in any wise alter or affect the rights or remedies of creditors, or other persons not being contributories of the company, or the rights or remedies of creditors being also contributories, but being creditors of the company upon a distinct and independent account, whether against the company or against any of the contributories of the same, nor the rights or remedies of the company against any contributories or other persons, nor shall alter or affect any contracts or engagements entered into by or with the company, or any person acting on behalf of the same, previously to any such petition, nor any actions, suits, or other proceedings pending at the date of such petition."

SECTION VI.—THE BANKS OF SCOTLAND.

In this Section we shall consider the following topics:—

- I. The Law of Scotland with reference to Banking.
- II. The Existing Banks of Scotland.
- III. A Comparison between the Banks of Scotland and those of England.
- IV. The Laws of the Currency with reference to Scotland.
- V. Those operations of the Scotch Banks that refer to the System of Cash Credits, Interest on Deposits, Remittances to India, and the Settlement of the Exchanges.
- VI. The Exchange Banks and Exchange Companies

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1. — The Law of Scotland with Reference to Banking.

The general provisions of the law of Scotland bearing upon this subject, are calculated to promote the solidity of banking establishments.

1. There is no limitation to the *number* of partners.

2. The *private fortune* of every partner is answerable for the debts of the bank.

3. *Land*, as well as other property, *may be attached* for debt.

4. In Scotland *all land is registered*; so it is easy for any individual, by referring to the records, to ascertain what landed property is possessed by the partners of the bank, and also whether or not it be mortgaged. The following is the language of the Report of the Committee of the House of Commons, appointed in 1826 to consider the expediency of abolishing all notes under £5:—

“There is no limitation upon the number of partners of which a banking company may consist; and, excepting in the case of the Bank of Scotland and the two chartered banks, which have very considerable capitals, the partners of all banking companies are bound jointly and severally, so that each partner is liable to the whole extent of his fortune for the whole debts of the company.

“A creditor in Scotland is empowered to attach the real and portable, as well as the personal estate of his debtor, for payment of personal debts, among which may be classed debts due by bills and promissory notes; and recourse may be had for the procuring payment to each description of property at the same time. Execution is not confined to the real property of a debtor merely during his life, but proceeds with equal effect upon that property after his decease.

“The law relating to the establishment of records gives ready means of procuring information with respect to the real and heritable estate of which any person in Scotland may be possessed. No purchase of an estate in that country is secure until the seisine (that is, the instrument certifying that actual delivery has been given) is put on record; nor is any mortgage effectual until the deed is in like manner recorded.

“In the case of conflicting pecuniary claims upon real property, the preference is not regulated by the date of the transaction, but by the date of its record. These records are accessible to all persons; and thus the public can with ease ascertain the effective means which a banking company possesses of discharging its obligations, and the partners in that company are enabled to determine with tolerable accuracy the degree of risk and responsibility to which the private property of each is exposed.

“There are other provisions of the law of Scotland, which it is not necessary minutely to detail, the general tendency of which is the same with those above mentioned.”

The following Acts of Parliament have been passed in reference to banking in Scotland:—

“The first notice of banking in Scotland which occurs in the statute-book, is an act of King William the Third, passed in the year 1695, under which the Bank of Scotland was established. By this Act an exclusive privilege of banking was conferred upon that bank, it being provided ‘that for the period of twenty years from the 17th July, 1695, it should not be lawful for any other person to set up a distinct company or bank within the kingdom of Scotland, besides those persons in whose favor this Act was granted.’ No renewal of the exclusive privilege took place after the expiration of the twenty-one years.

“The Bank of Scotland first issued notes of 20s. in the year 1704; but the amount of notes in circulation previous to the Union was very limited.

“The Bank of Scotland continued the only bank from the date of its establishment in 1695, to the year 1727.

“In that year a charter of incorporation was granted to certain individuals named therein, for carrying on the business of banking under the name of the Royal Bank;

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and subsequent charters were granted to this establishment, enlarging the capital, which now amounts to one million and a half.

"An Act passed in the year 1765 is the first and most important Act of the Legislature which regulates the issue of promissory notes in Scotland.

"It appears from its preamble, that a practice had prevailed in Scotland of issuing notes which circulated as specie, and which were made payable to the bearer on demand, or payable at the option of the issuer at the end of six months, with a sum equal to the legal interest from the demand to that time.

"The Act of 1765 prohibits the issue of notes in which such an option as that before mentioned is reserved to the issuer. It requires that all notes of the nature of a bank-note, and circulating like specie, should be paid on demand; and prohibits the issue of any promissory note of a sum less than 20s.

"With respect to the issue of promissory notes in England, an Act was passed in 1775, prohibiting the issue of any such notes under the sum of 20s. And in the year 1777, restraints were imposed by law on the issues of notes between the sum of 20s. and £5, which were equivalent to the prohibition of such notes circulating as specie.

"In the year 1797, when the restrictions as to payments in cash were imposed upon the Bank of England, the provisions of the Act of 1777, with regard to the issue of notes between 20s. and £5 were suspended. By an Act passed in the third year of his present Majesty, the suspension was continued until the 5th of January, 1833; but now stands limited by an Act of the present session to April 5, 1829."

"The general result of the laws regulating the paper currency in the two countries in this :—

"That in Scotland, the issue of promissory notes payable to bearer on demand for a sum of not less than 20s. has been at all times permitted by law, nor has any Act been passed limiting the period for which such issue shall continue legal in that country. In England, the issue of promissory notes for a less sum than £5 was prohibited by law from the year 1772 to the period of the bank restriction in 1797. It has been permitted since 1797; and the permission will cease, as the law at present stands, in April, 1829."

The Act which now regulates the issue of bank-notes in Scotland is 8 and 9 Vict. c. 38, passed in the year 1845.

By this Act, the power of issuing notes is confined to those banks that issued notes in the year preceding the 1st day of May, 1845. And the amount to which each bank may issue is not to exceed the average amount of notes it had in circulation during the year ending the 1st of May, 1845, and the amount of gold or silver coin it may at the time have in possession at the head office or principal place of issue, in the proportion that the silver shall not be more than one fourth the amount of the gold.

This Act was to come into operation on the 6th day of December, 1845. After which day each banker is to make weekly returns to the Stamp-office of his notes in circulation, and of the gold and silver coin on hand; and the averages of four weeks are to be published in the *London Gazette*, with a certificate from the commissioner as to whether the bank has held the amount of coin required by this Act.

All banks, except the Bank of Scotland, the Royal Bank of Scotland, and the British Linen Company, are required to send to the Stamp-office, between the 1st and 15th days of January inclusive, the names of all their partners, which shall be published by the 1st day of March following in some newspaper circulating within each town or county respectively in which the head office or principal place of issue of such bank is situated.

Bank of England notes are not to be a legal tender in Scotland.

In the Acts of Parliament passed in 1844 and 1845 for Regulating

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Banks of Issue in England and in Scotland, we may observe the following differences:—

1. The maximum of the circulation in England is the average of the twelve weeks ending the 27th of April, 1844. The maximum in Scotland is the average of the year ending the 1st day of May, 1845.

2. The English banks are not, under any circumstances, allowed to exceed the fixed limit. The Scotch banks are allowed to exceed their limit, provided they hold in their coffers at the head office an amount of gold and silver equal to such excess.

3. In England, should two joint-stock banks of issue effect a junction, the circulation of one of them would be forfeited, and the united bank could issue only to the amount which the other bank had previously issued. In Scotland, the united bank is allowed to issue to the amount of the two circulations added together. There is no express provision in the English Act with reference to the junction of two joint-stock banks. We consider that only one of the banks would lose its issue, *provided* the continuing bank retained its original title, so as not to create a new bank. But if by the union a new bank should be formed, then both the banks would lose their issues. In the same way, we think that the union of an issuing and a non-issuing bank would cause no change in the issue. But then the new bank must retain the title of the old issuing bank. Its right of issue would not be affected by taking new directors or new shareholders.

4. In Scotland, notes under £ 5 are still permitted. In England, notes under £ 5 are still prohibited.

II.—The Existing Banks of Scotland.

The following Table, which I constructed from the parliamentary evidence of 1826, contains an account of the number of the banks in Scotland, the name of the firm or bank, date of its establishment, place of the head office, number of branches, number of partners, and the name of the London agents:—

Names of Firms or Banks.	Date.	Head Office.	No. of Branches.	No. of Partn.	London Agents.
1. Bank of Scotland,	1695	Edinburgh,	16	chart.	Coutts & Co.
2. Royal Bank of Scotland, . .	1727	Ditto,	1	ditto,	Bank England & ditto.
3. British Linen Company, . .	1746	Ditto,	27	ditto,	Smith, Payne, & Co.
4. Aberdeen Banking Company,	1767	Aberdeen,	6	80	Glyn & Co.
5. Aberdeen Town and County Bank,	1825	Ditto,	4	446	Jones, Loyd, & Co.
6. Arbroath Banking Company,	1825	Arbroath,	2	112	Glyn & Co.
7. Carrick & Co., or Ship Bank, .	1749	Glasgow,	none,	3	Smith, Payne, & Co.
8. Commercial Banking Company of Scotland,	1810	Edinburgh,	31	521	Jones, Loyd, & Co.
9. Commercial Banking Company,	1773	Aberdeen,	none,	15	Kinloch & Sons.
10. Dundee Banking Company, . .	1777	Dundee,	none,	61	Kinloch & Sons.
11. Dundee New Bank,	1802	Ditto,	1	6	Ransom & Co.
12. Dundee Commercial Bank, . .	1825	Ditto,	none,	202	Glyn & Co.
13. Dundee Union Bank,	1809	Ditto,	4	85	Glyn & Co.
14. Exchange and Deposit Bank, —	—	Edinburgh,	—	1	—
15. Falkirk Banking Company, . .	1797	Falkirk,	1	6	Renington & Co.
16. Fife Banking Company, . . .	1802	Cupar, Fife,	—	39	(Discontinued 1825.)

The Banks of Scotland.

Names of Firms or Banks.	Date.	Head Office.	No. of Branches.	No. of Partn.	London Agents.
17. Greenock Banking Company,	1785	Greenock,	3	14	Kay & Co.
18. Glasgow Banking Company, .	1809	Glasgow,	1	19	{ Ransom & Co., and Glyn & Co.
19. Hunters & Co.,	1773	Ayr,	3	8	Herries & Co.
20. Leith Banking Company, . .	1792	Leith,	4	15	Barnett & Co.
21. National Bank of Scotland, .	1825	Edinburgh,	8	1,238	Glyn & Co.
22. Montrose Bank,	1814	Montrose,	2	97	Barclay & Co.
23. Paisley Banking Company, . .	1783	Paisley,	4	6	Smith, Payne, & Co.
24. Paisley Union Bank,	1788	Ditto,	3	4	Glyn & Co.
25. Perth Banking Company, . . .	1766	Perth,	5	147	Barclay & Co.
26. Perth Union Bank,	1810	Ditto,	—	69	Remington & Co.
27. Ramsay's, Bonar's, & Co., . .	1738	Edinburgh,	none,	8	Coutts & Co.
28. Renfrewshire Banking Company, .	1802	Greenock,	5	6	Kay & Co.
29. Shetland Bank,	—	Lerwick,	—	4	Barclay & Co.
30. Sir William Forbes & Co., . .	—	Edinburgh,	—	7	(Barclay) (Coutts).
31. Stirling Banking Company, . .	1777	Stirling,	2	7	Kinloch & Sons.
32. Thistle Bank,	1761	Glasgow,	none,	6	Smith, Payne, & Co.

Private Banking Companies, who do not Issue Notes.

Thomas Kinnear & Sons,	1748	Edinburgh,	none,	—	Smith, Payne, & Co.
Donald Smith & Co.,	1773	Ditto,	none,	—	Glyn & Co.
Robert Allen & Son,	—	Ditto,	none,	—	Barclay & Co.
Alexander Allan & Co.,	1776	Ditto,	none,	—	Barclay & Co.

Since the year 1826 the following banks have been formed in Scotland :—

	Formed.
1. The Glasgow Union Bank,	April, 1830.
2. The Ayrshire Banking Company, at Ayr,	Nov., 1831.
3. The Western Bank of Scotland, at Glasgow,	Oct., 1832.
4. The Central Bank of Scotland, at Perth,	April, 1834.
5. The North of Scotland Bank, at Aberdeen,	Oct., 1836.
6. The Clydesdale Bank, at Glasgow,	May, 1838.
7. The Southern Bank of Scotland, at Dumfries,	June, 1838.
8. The Eastern Bank of Scotland, at Dundee,	Dec., 1838.
9. The Edinburgh and Leith Bank,	Dec., 1838.
10. The Caledonian Bank, at Inverness,	Feb., 1839.
11. The City of Glasgow Bank,	May, 1839.
12. Glasgow Joint-Stock Bank,	Oct., 1840.
13. The North British Bank, at Glasgow, (not a bank of issue,)	1844.
14. The Exchange Bank of Scotland, at Edinburgh, (not a bank of issue),	1845.

At present, the following are the only banks of issue in Scotland :—

A TABLE exhibiting the CAPITAL and other particulars of the BANKS OF ISSUE IN SCOTLAND, with the PRICE of their SHARES, as publicly quoted in December, 1848. (From the "Edinburgh Almanac.")

Insti- tuted.	NAME.	Part- ners.	Branches.	Paid-up Capital. £	Dividend. Rate.	Payable.	Share Paid. £	Price. £ s. d.
1695.	Bank of Scotland,	645	31	1,000,000	7	April and Oct.	100	162 0 0
1727.	Royal Bank,	917	6	2,000,000	5	Jan. and July.	100	118 0 0
1746.	British Linen Company,	233	43	500,000	8	June and Dec.	100	196 0 0
1810.	Commercial Bank,	565	47	600,000	7	Jan. and July.	100	151 0 0
1825.	National Bank,	1,156	38	1,000,000	6½	Jan. and July.	10	13 5 c
1829.	Union Bank of Scot- land,	592	31	1,000,000	8	June and Dec.	50	77 0 0

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Instituted.	NAME.	Partners.	Branches.	Paid-up Capital. £	Dividend. Rate.	Payable.	Share Paid. £	Price. £ s. d.
1828.	Edinburgh and Glasgow Bank, . . .	1,500	20	1,000,000	6	Feb. and Aug.	5	5 11 0
1767	Aberdeen Banking Company, . . .	477	16	200,000	6	1 May and 1 Nov.	5	3 12 6
1825.	Aberdeen Town and County Bank, . .	509	12	250,000	7½	March and Sept.	5	6 4 0
1806.	North of Scotland Banking Company, . . .	1,650	33	380,955	4	May and Nov.	5	3 5 0
1763.	Dundee Banking Company, . . .	61	1	60,000	8½	March,	60	80 0 0
1836.	Eastern Bank of Scotland, . . .	400	3	124,020	6	May and Nov.	10	9 10 0
1832.	Western Bank of Scotland, . . .	1,167	60	1,708,450	8	July and Dec.	60	70 0 0
538.	Clydesdale Banking Company, . . .	1,355	12	807,390	6½	Feb. and Aug.	10	12 4 6
1839.	City of Glasgow Bank, . . .	1,068	13	1,000,000	6	Feb. and Aug.	10	10 17 6
1838.	Caledonian Banking Company, . . .	903	8	125,000	8	August,	2½	4 0 0
1766.	Perth Banking Company, . . .	152	3	100,050	8	July,	100	150 0 0
1834.	Central Bank of Scotland, . . .	405	5	56,275	8	September,	25	37 0 0
		14,235		£ 11,912,130				

Thus we find that, although there were thirty-two banks of issue existing in Scotland in the year 1826, and twelve more banks of issue have since been formed, yet the present number of issuing banks is only eighteen. It may also be observed, that out of the four non-issuing private banks in Edinburgh, only one remains. It will be interesting to trace the changes that have taken place in the Scottish banks since the year 1826. In the following Table the figures refer to the numbers in the Table at pp. 314, 315.

Changes in Scottish Banks since 1826.

No.		
6.	Arbroath Banking Company . . .	{ Merged in Commercial Bank of Scotland.
9.	Commercial Bank of Aberdeen . . .	{ Merged in National Bank of Scotland.
10.	Dundee Banking Company	{ joined. . . Are now Dundee Bank.
11.	Dundee New Bank . . .	
12.	Dundee Commercial Bank . . .	{ Merged in Eastern Bank of Scotland.
13.	Dundee Union Bank . . .	{ Merged in Western Bank of Scotland.
14.	Exchange and Deposit Bank . . .	Failed.
15.	Falkirk Banking Company . . .	Wound up.
16.	Fife Banking Company . . .	Failed; paid in full.
17.	Greenock Banking Company . . .	Merged in Western Bank.
18.	Glasgow { . . .	{ Afterwards joined Union Bank of Scotland.
7.	Ship { . . .	
19.	Hunters & Co., Ayr.	Ditto.
20.	Leith Bank	Failed.
22.	Montrose Bank	Wound up.
23.	Paisley Bank	Merged in British Linen Company
24.	Paisley Union Bank	Merged in Union Bank of Scotland
26.	Perth Union Bank	Wound up.
27.	Ramsay's, Bonar's, & Company . . .	Ditto.

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28 Renfrewshire Banking Company . . .	Failed.
29. Shetland Bank . . .	Ditto.
30. Sir W. Forbes, J. Hunter, & Co. . .	Joined with Union Bank.
31. Stirling Bank . . .	Suspended; paid in full.
32. Thistle Bank . . .	Merged in Union Bank.

Non-Issuing Private Banks.

Thomas Kinnear & Sons } . . .	{ United under the firm of Kinnears, Smiths, & Co., and afterwards failed.
Donald Smith & Co. }	
R. Allan & Son . . .	Failed.
Alexander Allan & Co. . .	Continue in business as formerly.

Of the Banks formed since 1826 : —

The Glasgow Union Bank joined, in 1844, the private bank, at Edinburgh, of Sir William Forbes & Co.; and afterwards took the title of the Union Bank of Scotland.

The Edinburgh and Leith Bank, and

The Glasgow Joint-stock Bank, united in 1844, and formed a new bank, called the Edinburgh and Glasgow Bank.

The Ayrshire Banking Company merged in the Western Bank of Scotland.

The Southern Bank of Scotland became, in 1842, the Dumfries Branch of the Edinburgh and Leith Bank.

From this statement it will appear that the Union Bank of Scotland embraces the following banks : —

1. The Glasgow Union Bank. Formed since 1826.
2. The Paisley Union Bank. No. 23 in the first table.
3. Glasgow Banking Company. No. 18.
4. Carrick & Company, or Ship Bank, Glasgow. No. 7.
5. Sir William Forbes & Co. No. 30.
6. Thistle Bank, Glasgow. No. 32.
7. Hunters & Co., Ayr. No. 19.

The Western Bank of Scotland also embraces several original banks : —

1. The Western Bank of Scotland. Formed since 1826.
2. The Dundee Union Bank. No. 13.
3. Greenock Banking Company. No. 17.
4. The Ayrshire Banking Company. Formed since 1826.

The Edinburgh and Glasgow Bank is formed of three banks : —

The Edinburgh and Leith Bank.

The Southern Bank of Scotland, at Dumfries.

The Glasgow Joint-Stock Bank.

The banks that have failed or wound up since 1826 are the following : —

1. Exchange and Deposit Bank, Edinburgh. No. 14.
2. Fife Banking Company. In 1825, No. 16.
3. Leith Banking Company. No. 20.
4. Renfrewshire Banking Company, Greenock. No. 28.
5. Montrose Bank. No. 22.
6. Perth Union Bank. No. 26.
7. Ramsay's, Bonar's, & Co., Edinburgh. No. 27.
8. Shetland Bank. No. 29.
9. Stirling Bank. No. 31.

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From this account it will appear that out of the thirty-two banks contained in my list of 1826 only nine remain. These are the following:—

1. The Bank of Scotland. No. 1.
2. The Royal Bank of Scotland. No. 2.
3. The British Linen Company. No. 3.
4. The Aberdeen Banking Company. No. 4.
5. Aberdeen Town & County Bank. No. 5.
6. Commercial Bank of Scotland. No. 8.
7. Dundee Banking Company. No. 10 and No. 11.
8. National Bank of Scotland. No. 21.
9. Perth Banking Company. No. 25.

Most of the banks that have ceased to exist were banks having only a few partners, and their capital was unknown. The banks that have since been formed have many partners, and generally a large amount of capital. It was probably in consequence of the greater strength of the new banks that the old ones found it expedient to discontinue business. The change has doubtless been for the advantage of the public, and it has taken place without being attended with any inconvenience or excitement. Indeed, we think that in all cases where the law leaves banking free, the effect is to reduce the number of banks. We are aware that the general impression is the reverse.

“The argument presumes, that in case of free banking the number of banks would be very great. Are we justified in supposing that this would be the case? Theory exclaims, ‘Yes’; experience whispers, ‘No.’ The numerous banks in America are not the result of free trade, but are the result of the Acts of the Legislature. The State Legislatures have thought proper to give a large number of charters, and of course there is a large number of banks. Had the charters been fewer, and required higher paid-up capitals, the banks would have been larger and more respectable. The number of banks in England, too, have been the result of the interference of the Legislature. In the renewal of the charter of the Bank of England in 1708 it was enacted, that no other bank having more than six partners should have the privilege of issuing notes. As the growing trade and wealth of the country required banks of some sort, and as banks having more than six partners could not be formed, a great number of banks, each not having more than six partners, rose into existence as they were required by the increasing trade and wealth of the country. Hence, instead of having a small number of large banks, we have had a large number of small banks.

“If we look to Scotland, where banking has been free, we find that the total number of private and joint-stock banks is only twenty-eight.* Banking has been free beyond fifty miles from Dublin for the last fifteen years, yet throughout that district there are only five banks of issue, with the exception of the Bank of Ireland. In England, where there has been, as we are told, a frenzy in their favor, the joint-stock banks of issue are only ninety-one,† and probably they would have been less numerous had

* This was written in the year 1840. The present reduced number of banks strengthens our argument.

† At present, sixty-six.

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not the law excluded them from London. The capital which has been embarked in a number of small local banks would have been invested in large London establishments, and the place of the local banks would have been occupied by branches of the London banks. From these facts, it seems fair to infer that some of the small joint-stock banks, and many of the private banks, will in the course of the next twenty years be merged in larger establishments. The supposition that unlimited freedom of banking would lead to the establishment of an inconvenient multitude of banks is wholly unsupported by the testimony of experience." (*Currency and Banking*, by J. W. Gilbart.)

The existing banks in Scotland are thus distributed : —

Edinburgh is the head-quarters of the following banking institutions : —

- | | |
|--------------------------------|-------------------------------------|
| 1. The Bank of Scotland. | 4. The Commercial Bank of Scotland. |
| 2. The Royal Bank of Scotland. | 5. The National Bank of Scotland. |
| 3. The British Linen Company. | 6. The Edinburgh and Glasgow Bank. |

All these banks issue notes, and have branches. The first five have charters. The charters of No. 4 and No. 5 are comparatively of recent date, and do not limit the liability of the shareholders.

The Exchange Bank of Scotland : — This bank has a charter under the Act of 1844 (7 & 8 Vict. c. 32). It does not issue notes, and has no branches.

Glasgow is the head-quarters of the following banks : —

- | | |
|----------------------------------|------------------------------|
| 1. The Union Bank of Scotland. | 3. The Clydesdale Bank. |
| 2. The Western Bank of Scotland. | 4. The City of Glasgow Bank. |

The North British Bank, at Glasgow, does not issue notes, and has no branches. Its capital has been reduced from £ 233,270 to £ 156,520 by the purchase of its own shares. These purchases have been carried to the "Reserved Fund Account."

Dundee is the head-quarters of three banks, Aberdeen of three, Perth of two, and Inverness of one. All the other places in Scotland have only branches. Branches of other banks are also established in Edinburgh, Glasgow, Dundee, Aberdeen, Perth, and Inverness, besides the banks whose head offices are in those places.

III. — A Comparison between the Banks of Scotland and those of England.

The differences between the English and the Scotch banks are the following : —

1. The Scotch banks are all joint-stock banks. In England there is a mixture of joint-stock and private banks.

2. The Scotch banks are nearly all banks of issue. In England there are many, both private and joint-stock banks, that are not banks of issue.

3. The Scotch banks generally have branches. In England most of the private banks, and some of the joint-stock banks, have no branches.

4. The Scotch banks universally grant interest on the balance of current accounts, — a practice not universally adopted in England, especially in London.

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5. The mode of making advances by way of "cash credit" is general in Scotland, but very rare in England.

We may also observe some other differences, chiefly of a business character, which have an important bearing on the interest of the community.

1. The banks of Scotland have generally a large paid-up capital.

"Two great errors appear to have been committed in the formation of joint-stock banks in England, and, until these are remedied, such establishments can hardly expect to reach a higher degree of importance or credit than is attainable by a wealthy private bank. These evils are, in the first place, too small a capital relatively to the extent of business undertaken; and, in the next place, the circumstance of the issues of the joint-stock banks being left uncontrolled by any effective system of *exchange*."

"The advantage of a small capital in banking is, that it enables the establishment, if at all successful in business, to pay a large dividend. The profits of banking depend, in a great measure, on the amount of deposits and circulation, and according as these are great or small compared with the extent of the capital, will the company be enabled to divide a larger or smaller dividend. It therefore becomes the obvious policy of those establishments, the managers of which conceive that the success of a bank is proved by the early payment of a high dividend, to keep the capital of the company within the narrowest possible limits. This system has been carried to the utmost extreme in England; and hence, although large dividends have been paid to the shareholders, there has been no corresponding increase of confidence on the part of the public.

"The Scotch banks, on the other hand, have pursued a directly opposite course. Their object has been to secure public confidence by the extent of their capital, and they have continued to pay moderate dividends to their shareholders, until justified in augmenting them by years of success, and a large accumulated sinking-fund. So well, indeed, is this system understood, and so completely has it attained its purposes, that the slightest appearance of improvidence displayed by a Scotch joint-stock bank, in fixing the amount of its dividend, has been invariably attended with a decrease of the public confidence in the stock of the establishment. In this manner public confidence has been secured, the value of Scotch bank stock has risen in the market, and the shareholders have received their extra profits as a *bonus*, or in the increased value of their own shares. Thus, instead of being looked upon as establishments aiming at the ephemeral advantage of making a large dividend, for stock-jobbing or temporary purposes, our banks have almost invariably assumed the character of permanent national establishments, identified with the prosperity of the country, and, by means of their small-note circulation, conferring benefit on, as well as obtaining the confidence of, every class in the community." (Letter to James William Gilbart, Esq., on the Relative Merits of the English and Scotch Banking Systems; with Practical Suggestions for the Consolidation of the English Joint-stock Banking Interest. By Robert Bell. — Mr. Bell is now manager of the City of Glasgow Bank, at Edinburgh; and was examined in 1848, as a witness before the Committee of the House of Commons on Commercial Distress.)

The eighteen banks in Scotland have a paid-up capital of £11,912,130, making an average to each bank of £661,785. The number of places of issue (banks and branches) is 403, making an average of capital to each place of £29,558. The authorized circulation for Scotland is £3,087,209, making an average to each place of issue of £7,660.

The ninety-nine joint-stock banks of England have a paid-up capital of about £14,000,000, making an average to each bank of about £140,000. The joint-stock banks and branches in England are 513, making an average of capital to each place of about £27,290.

The sixty-six joint-stock banks of issue in England have a paid-up cap-

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ital of about £ 6,000,000, making an average capital of about £ 91,000. The number of places of issue, banks and branches, is 407, making an average of capital to each place of about £ 15,000. The authorized issue is £ 3,409,987, making an average of about £ 8,378 to each place of issue.

There are 184 private country banks in England, issuing notes at 375 places. Their authorized issue is £ 4,822,488, making an average to each bank of £ 26,200, and of £ 12,860 to each place of issue. The capital of these banks is unknown.

2. In operating on his current account, it is not the general practice in Scotland for a customer to draw cheques on the bank for his individual payments, nor to accept bills payable at the bank. If he has to make twenty payments in the course of the day, he will go to the bank in the morning, and draw out in one sum a sufficient amount of notes to make all these payments. On the other hand, if a customer should receive money from twenty different people in the course of the day, he will not receive cheques, as there are none in circulation, but bank notes, which at the close of the day he will pay in one sum into the bank. In England, all these receipts and payments would be made in cheques, each having probably odd shillings and pence. From this cause, the trouble and expense to a bank of conducting a current account is much greater in England than in Scotland.

A few years ago an attempt was made to form a bank, to be called the Dunedin Bank of Scotland. One of the advantages it held out to the public was the adoption of the English system of drawing cheques for individual payments. The advantages of this system are pointed out in the following terms: —

“ Another prominent feature of the proposed institution is the proposal to take in and pay out for customers ‘any sum, however small.’ Though troublesome to the bank, such a measure must be of incalculable convenience to parties dealing with it. Here, again, there is nothing absolutely new, as such a practice must, more or less, exist wherever there are cash accounts, forming, as it does, the essential element of these transactions. In the Dunedin Bank it is intended to extend the principle to its widest limit; in which case only its fullest benefits can be felt. Most banks are unwilling to arrange transactions of trifling amount, and, in consequence, their customers cannot follow up any determinate method of settling their accounts in that way. Without a universal and indiscriminate system of payment, however inconsiderable they may be, it is obvious that the practice of honoring larger drafts, — and those only for sums of so many pounds in exact number, — the operation of settling accounts in this manner is at best of a mixed description, and does not afford the whole advantages to be derived from it. Were the principle adopted in its full extent, the bank would, in reality, become general cashier for their customers; and the necessity of having money in hand for the purpose of meeting every-day expenses would be in a great measure superseded. A larger portion of funds would be, consequently, in deposit, bearing interest, and, at the same time, as ready for use as if in the coffer or pocket-book of its owner. By this means, likewise, a regular journal of receipt and expenditure would be carried on without the slightest trouble on the part of the individual concerned, who, at the end of the year, or of the periodical balancing of accounts, would find an authentic record of his ordinary transactions. Here, too, he would find the vouchers for the payments he had made; and would be under no apprehension of being called upon in repetition of payment through any loss of his receipts. To insure accuracy, both in regard to small cash payments and calculations of interest, it is contemplated to institute a farthing column in the books of the Dunedin Bank, in order that sums may be computed with greater minuteness and precision. As much

inconvenience and trouble will be necessarily incurred by the adoption of this plan, it is proposed to meet the additional expense by a small tax upon the transactions themselves; and it is calculated that the trifling commission of a half-penny upon each single payment and entry, or 4s. 2d. upon the hundred, will afford sufficient remuneration for the increase of labor. Should this fee be found too small to remunerate, or to guard sufficiently against the abuse of the privilege, it will, of course, be easy for the bank to increase the charge, — say to one penny, or more, on each transaction."

3. The system of numerous branches leads to uniformity all over Scotland in the terms on which business is transacted in the banks.

From the small number of banks that existed for many years in Scotland, and from the circumstance that the head offices of most of these banks were fixed at Edinburgh, it was easy for them to form arrangements among themselves for the regulation of their business. Hence arose a uniformity of practice among all the banks, and throughout the whole of Scotland.

This uniformity of practice does not exist in England. The system of London banking is different from that in the country. And the banking of one district differs from that of another district. It would be difficult to produce any general union in England, even among the joint-stock banks. There is a difference in the character of their localities. Their head offices are too wide apart to admit of frequent personal communication. And it may be feared that among the joint-stock banks of England there is not enough of that *esprit du corps* which is essential to the existence of a general confederation.

There is, however, considerable competition among the banks of Scotland. This rivalry, however, does not lead to transacting business on lower terms. Indeed these terms are always very moderate. The difference between the rate of interest allowed and charged is rarely more than one per cent. No commission is charged on current accounts; and it is only recently, we believe, that commission has been charged on the amount (not the operations) of cash credits. Sometimes the banks at Glasgow, when there is a great demand for capital, have been disposed to grant a higher rate of interest than the banks of Edinburgh. But this difference has soon been arranged. The provincial banks, too, have carried on a strong opposition against the branches of the Edinburgh banks. The late Thomas Kinnear, Esq., when asked what had led to the discontinuing of some branches of the Bank of Scotland, replied:—

"With respect to those that are beyond my memory, I cannot say what was the cause; but those that have been given up within my recollection, in point of fact, were given up in consequence of the town in which that branch had originally been established having accumulated wealth to such a degree, that it could afford a banking capital of its own, and that it had in point of fact established a local bank, then the connection of that local bank went so strongly against us by fair competition, that we found we could employ our capital to better purpose elsewhere, and gave up the branch." (*Commons*, 132, Kinnear.)

4. The system of numerous branches enables the banks of Scotland to transfer the surplus capital of the agricultural districts to the manufacturing and commercial districts, without going through the process of rediscounting their bills.

Some Scotch writers have considered it a reproach to the English

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banks that they re-discount their bills, and have boasted that, with rare exceptions, the practice of re-discount is unknown in Scotland. The accusation is made without due consideration. The system of branches makes a difference in all banking arrangements. A bank in an agricultural district, say at Norwich, has a superabundance of money. A manufacturing town, say Manchester, has a demand for money. The bank at Norwich will send its money to a bill-broker in London. The bank at Manchester will send its bills to the same broker. A re-discount takes place. But let us suppose that the bill-brokering establishment should become the head office of a large bank, having one branch at Norwich, and another at Manchester. Then no re-discount will occur. The bills discounted at Manchester will never pass out of the possession of the bank. Nevertheless, the surplus funds at Norwich will be transferred to meet the wants of Manchester as effectually as before. This is an illustration of the branch system in Scotland. A bank at Edinburgh will have branches in both the agricultural and the manufacturing districts. Or a bank whose head office is in a manufacturing town, will have branches in the agricultural districts. Thus the surplus funds of Perth, Ayr, and Dumfries, are speedily transferred to be employed at Glasgow, Paisley, and Dundee. Were a bank to be established at Glasgow, without branches, it would probably have occasion for discount at certain times, as well as the banks at Manchester or Leeds.

At the same time, we think this transfer of capital by means of branches is better than by means of re-discount. There is no occasion for the intermediate party, the bill-broker. The bills do not go out of the bank, so that men's transactions do not become known. The abuses connected with re-discount by fictitious bills are effectually prevented; and the bank can more readily regulate its advances in accordance with its means. To recur to our illustration: — The bank at Norwich may lose a large amount of its deposits; the bank of Manchester, knowing nothing of this, may continue its advances in dependence upon receiving its usual re-discount. The check may at length come so suddenly that the Manchester bank may be placed in difficulty. Under the branch system, should any large amount of deposits be withdrawn from one branch, the bank would immediately limit its advances at the others. The advantage of this system on the approach of a pressure is obvious.

5. The system of numerous branches leads to more regularity and uniformity in the mode of making their exchanges: —

“The system of exchanges centres in Edinburgh. In that city a general exchange of the bank notes of all the banks of issue in Scotland takes place twice a week. This exchange is made alternately within the office, and under the superintendence of the Bank of Scotland and of the Royal Bank. On these exchange days, clerks from all the banks having establishments in Edinburgh assemble, bringing with them the notes which each bank has collected, not only in Edinburgh, but, by means of their branches, all over the country; and as the Edinburgh banks act as agents for the several provincial banks, and, as such, exchange or give value for their notes, the whole banking interest of Scotland, so far as concerns the exchange of notes, is represented in the ‘*Clearing-room*.’

“On these occasions a mutual exchange is made by the several clerks assembled, giving the notes of other banks which they hold, and taking their own in exchange. After this exchange of notes, a balance is struck, and each clerk hands over to the offi-

cer of the presiding bank a statement, showing the amount of the balances as between his own bank and each of the other establishments. The aggregate balance on this statement shows the result of the day's exchange as it affects each bank; and that balance will be for or against any given bank in the precise proportion in which its recent transactions have exceeded or fallen short of its emerging and available resources.

"The ultimate balance against every bank was formerly paid by a draft on London at ten days' date. But this mode of settlement having been found inconvenient, and having on one occasion led to considerable loss, in consequence of the failure of a private bank in Edinburgh, a different arrangement was then made, and is now acted upon. According to that arrangement, every Scotch bank of issue having an establishment in Edinburgh is bound to hold a certain *quota* of £1,000 exchequer bills. This *quota* is proportioned to the average circulation of the particular bank; and with these exchequer bills the balances of exchange are paid, the fractional parts of £1,000 being settled by £100 Bank of England notes or gold.

"As the object of this system is to oblige each bank to hold a certain amount of tangible Government paper to meet any fluctuation and excess in its issues, the several banks are further bound, under the general exchange arrangement, to sell or to buy exchequer bills to or from each other whenever the number of bills which any one bank holds exceeds one third, or falls short in the same proportion, of the conventional *quota*. These purchases and sales of exchequer bills made from and to the banks reciprocally are settled for by the bank making the purchase, by a draft on London at five days' date, with a commission equivalent to the eight days which the draft has to run at the exchequer bill rate of interest. In order to prevent the risk of these mutual sales and purchases of exchequer bills being converted into stock-jobbing transactions, the purchases are made at par, and each bank holds its *quota*, in its own name, direct from Government, while the general supply of exchequer bills is kept in the circle by being specially marked as '*Edinburgh Exchange Exchequer Bills*.'

"Still further to complete the control of the banking interests over these exchange arrangements, a statement is produced by each bank on every exchange day, showing the amount of exchequer bills which it holds. And it is only necessary to add, that these exchange regulations, which have been found so salutary in practice, are the result of mutual and voluntary concert among all the banks; and although it may be said that they are not compulsory, yet in effect they are so, since any bank of issue refusing to accede to them would incur the risk of having its notes refused by the combined banks, which in Scotland would be tantamount to a suppression of the non-acceding bank as a bank of issue.

"In addition to these exchanges in Edinburgh, there are also exchanges made on the same days in Glasgow; and the balances being advised by post to Edinburgh, are settled for next morning in the same manner by exchequer bills and Bank of England notes. So also, in order to save the trouble and risk of transmitting to Edinburgh or to Glasgow, notes collected by the different agents in the country, wherever there are two or more branch banks in the same town, their managers or agents exchange notes, and advise the state of balances to Edinburgh, when they are included in the next ensuing general exchange.

"What I have now said may be sufficient, without going into further detail, to give a general idea of our system of exchanges. The Scotch banking interests have been mainly indebted, it is believed, for the complete organization of this system, to Mr. Blair, the Treasurer of the Bank of Scotland, one of the most talented of our Scotch bankers; and although in description it may appear complicated, nothing can be simpler or more satisfactory than its operation in practice; nor can any check be more efficacious."*

The Scotch bankers are loud in their praises of the system of exchanges. And justly so. But they are in error when they suppose that nothing like it exists in England. We have shown that the country banks make their exchanges with each other, and pay the difference by a draft on London. These operations have the same effect as the exchanges in Scotland of withdrawing from circulation all the superfluous notes; that is

* The Letter, already quoted, addressed to me by Mr. Bell.

to say, all the notes that come into the hands of the bankers. If it be true that notes remain out longer in circulation in England than in Scotland, it arises not from any difference in the system of exchanges, but from a difference in the habits of the people with regard to "keeping a banker." If a Scotch banker issue £1,000 of notes in the morning, he feels assured that these notes will be paid into some other bank in the course of the day. An English banker is not so sure. The party may not "keep a banker," and he may then lock up the notes in a strong box for a week or ten days, until he have occasion to make a payment. We think it desirable that every man who has money should lodge it in a bank, not merely for interest, but for security; and therefore we approve of the Scotch practice. But it is this universal practice of having a banker, and not merely the system of exchanges, that withdraws notes so rapidly from circulation.

At the same time, it should be stated that the Scotch bankers are of opinion that our system of banking in England is chargeable with some portion of the blame. They say that as the English banks do not universally allow interest on deposits and current accounts, the people have not the same inducement as in Scotland for placing their money in a bank. And as many banks charge commission on the operations of a current account, it is the interest even of those who keep bankers to pay away the notes they receive to other parties, rather than to lodge them to their credit with their banker. On this subject I may quote the following extract from the second letter addressed to me by Mr. Bell. (A Letter to J. W. Gilbart, Esq., on the Regulation of the Currency by the Foreign Exchanges, and on the Appointment of the Bank of England to be the sole Bank of Issue throughout Great Britain. By Robert Bell.)

"In Scotland we have adopted every means to concentrate the resources of the country in the hands of the banker. We allow a liberal rate of interest on deposits, while we not only encourage small capitalists and traders to open accounts with us, but we induce our customers to make frequent operations on their accounts, and the result is that every superfluous bank note is rapidly returned upon the issuer. The very opposite course is pursued in England; you allow no interest on deposits, you give no encouragement to small depositors, while you put a barrier in the way of your customers making frequent operations, by the charging a commission on the debit side of their accounts; the consequence of which is, that not only your paper but your gold currency stagnates in the hands of the public during times of prosperity, leaving the paper issues to be poured back upon the issuers in seasons of adversity, thus aggravating in no slight degree the severity of monetary pressures."

Even were the keeping of a banker as general in England as in Scotland, the same system of exchanges could not be adopted. The Scotch system requires an equality, or an approach to it, among the several banks; that the head offices of these banks, generally, should be in the capital; and that the banks should have numerous branches throughout the country. These circumstances do not exist in England. And, moreover, we have the Bank of England, whose notes are a legal tender. It is obvious there can be no exchange of notes in places where, as in London, there is only one bank of issue. But the exchanges between English country banks are precisely upon the same principle as those in Scotland, and have similar effects. The differences are paid by drafts on London, payable on demand; and these drafts again pass through the clearing.

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Another advantage ascribed to the Scotch system of exchanges is, the surveillance which, by this means, the large banks at Edinburgh are able to exercise over the smaller banks in the provinces. That this surveillance exists in Scotland, and that it has been exercised beneficially, we entertain no doubt. It is equally true that such a surveillance does not exist in England. But the system of exchanges is not the cause of this surveillance, it is merely the instrument. In Scotland, the banks being few, and all their head offices being at Edinburgh, they are able to confer together, and to fix on rules for their general government. With any inferior bank that refuses to comply with these rules they can refuse to exchange notes, and thus force it to compliance. In England, where the banks are numerous, and where their head offices are distant from each other, such a system cannot well be formed; and hence each bank is free from the control of other banks, and may pursue any course it pleases, however injurious to itself or to others, so long as it is able to make good its payments to the public. The banks at Edinburgh, too, by means of their numerous branches, have the earliest information of any irregular practice that may have been adopted by a local bank in the provinces; but the large banks in London have comparatively but a very imperfect knowledge of the operations of either the private or the joint-stock banks that are scattered over the country.

From a want of this surveillance, banks in England have carried on business for years after they have been supposed to be insolvent. Hence they have gone on until their losses have not only absorbed the whole of their capital, but have required, to replace them, further demands to a large amount from their shareholders. In Scotland, these banks, if they could not be kept in the right path, would probably have been compelled to stop before they had wandered so widely. Banks, as we have seen, do sometimes fail in Scotland, but never under circumstances that shake the public confidence in the general banking institutions of the country.

6. The confidence placed in the banks of Scotland by the public renders them less exposed to inconvenience during a season of pressure.

When a pressure takes place in England, the first objects of suspicion are the banks. People that have money in their banker's hands draw it out and hoard it. The bankers, knowing that they are liable to these demands, draw in their funds, and make provision accordingly. Hence the capital of the country is rendered dormant at the time when it is most required to be in a state of activity. Banks that issue notes are more liable than others to these sudden demands. But no such feeling exists at present in Scotland. And should the Act of 1845 have the effect of inoculating the people with the love of gold, and by this means place the banks in the same position during a pressure as the banks of England, it must be regarded as a national calamity.

On this subject, we again quote from the letter of Mr. Bell:—

“Nor are these benefits, great as they are, the only advantages which we have derived from our system of banking. Our one-pound notes connect and familiarize every artisan and laborer in the country with our banking establishments; and the implicit confidence in our paper currency, thus created and perpetuated by the general experience of the sufficiency of our banks, has on many occasions been remarkably illustrated. It is no exaggeration to say, that at this moment nine tenths of the laboring

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classes of Scotland, if they had their choice, would *prefer* a one-pound note to a sovereign; and, as a consequence of this feeling of security, combined with a sense of the other advantages of the system, no one in Scotland can have forgotten the truly national stand on behalf of our currency, which was made by rich and poor in the year 1825, when your English economists proposed to visit us with an injury similar to that which was in that year inflicted on England.

"With banking establishments thus preëminently possessed of national confidence, no mercantile convulsion has hitherto created any general run on our great joint-stock banks. It has been otherwise in England, where, in consequence of legislative enactments, the public have been taught to regard *gold and silver* as the only representatives of value. The bond of union between the banks and the mass of the people has thus been severed; and when a monetary crisis occurs, its consequences are incalculably more injurious. With us (though very rarely), runs have been occasionally made on particular banks; but it has been merely to withdraw a deposit from one bank to place it in another; or to exchange the notes of a suspected bank for the *notes* of one of our national joint-stock banks, the prevailing confidence in our paper currency remaining unshaken. In this way the disposable banking capital or resources remain in the aggregate unchanged; whereas with you the run is for *gold*; and the coin thus withdrawn from one bank is not re-deposited in another, but hoarded till the panic is over, by which means the entire banking resources of the country are involved in the consequences of the temporary disaster; and this, too, at the very time when these resources are most needed."

IV. — Laws of the Currency in Scotland.

In Scotland the lowest point of the circulation is in March, and the highest in November. The advance, however, between these two points is not uniform, for the highest of the intervening months is May, after which there is a slight reaction; but it increases again until November, and falls off in December. The reason of the great increase in May and November is, that these are the seasons for making payments. The interest due on mortgages is then settled, annuities are then paid, the country people usually take the interest on their deposit receipts, and the servants receive their wages. There are frequently large sums transferred by way of mortgage. It is the custom of Scotland to settle all transactions, large as well as small, by bank notes, not by cheques on bankers, as in London. It is remarkable that these monthly variations occur uniformly every year, while the amount of the circulation in the corresponding months of different years undergoes comparatively very little change.

A TABLE, showing the CIRCULATION OF ALL THE BANKS IN SCOTLAND on the last Saturday in March, July, and November, in the years 1834, 1835, 1836, 1837, 1838, and 1839.

	<i>Number of Banks.</i>	<i>March.</i> £	<i>July.</i> £	<i>November.</i> £
1834	21	2,834,627	3,094,468	3,497,795
1835	21	2,822,417	3,097,947	3,457,899
1836	21	2,934,292	3,222,142	3,657,431
1837	22	2,875,404	2,962,673	3,560,242
1838	23 – 24	2,811,377	3,060,199	3,688,410
1839	24 – 28	3,041,545	3,120,183	3,559,599

This table shows us, first, that the circulation of Scotland is at its lowest point in the month of March, is higher in July, and reaches its highest point in November. Secondly, in the corresponding months of different years there is but little difference in the amount of the circulation. We find that during a course of six years, the difference between the lowest

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and the highest circulation in the corresponding months is very trifling. Thirdly, the increase in the number of banks does not produce a corresponding increase in the amount of notes in circulation. In November, 1834, the number of banks of issue was twenty-one; by November, 1839, they had increased to twenty-eight; yet the circulation at the former period was £ 3,497,795, and in the latter, £ 3,559,599. Fourthly, these facts prove that the circulation of Scotland does not produce any effect upon prices, nor, consequently, upon the foreign exchanges. It is hardly necessary to adduce evidence in proof of the fact, that the prices of commodities do not go on increasing from March to November in every year; and if they do not, they cannot be regulated by the currency. Fifthly, this regularity in the circulation shows that it must be governed by some uniform laws, arising from the local circumstances or habits of the country; and this we think will always be the case where the banks are passive, and permit themselves to be operated upon by the wants of the trade and commerce carried on in their respective districts. (*Currency and Banking*, by J. W. Gilbart.)

That the laws of the currency in Scotland are the same since the passing of the Act of 1845 as before, is evident from the following Table:—

AN ACCOUNT of the CIRCULATION OF THE BANKS OF SCOTLAND during the four weeks ending at the under-mentioned dates, in the years 1846, 1847, and 1848, distinguishing the notes of £5 and upwards from those below that amount.

Date.	Number of Banks.	Fixed Issues.	£5 and upwards.	Under £5.	Total.
1846. March 28	18	£ 3,087,209	£ 828,778	£ 2,189,993	£ 3,018,771
Aug. 15	"	"	1,013,539	2,358,565	3,371,904
Dec. 5	"	"	1,235,072	2,761,786	3,996,858
1847. March 27	"	"	1,063,384	2,296,959	3,360,343
July 17	"	"	1,121,236	2,374,682	3,495,918
Dec. 4	"	"	1,143,241	2,589,241	3,732,482
1848. March 25	"	"	932,496	2,019,439	2,951,935
July 15	"	"	982,963	2,123,680	3,106,643
Dec. 2	"	"	1,158,981	2,411,141	3,570,122

The Act of 1845 does not appear to have much effect on the amount of notes in circulation. But it has had an effect in other ways. It has required the Scotch banks to keep a larger amount of gold in their vaults. This is evident from the following Table:—

A RETURN of the Aggregate Amount of NOTES IN CIRCULATION IN SCOTLAND, and of the Aggregate Amount of GOLD COIN AND BULLION HELD BY BANKS IN SCOTLAND, on the last day of the second week of February and November, in the years 1842, 1843, 1844, 1845, 1846, and 1847.

Years.	FEBRUARY.		NOVEMBER.	
	Notes. £	Coin. £	Notes. £	Coin. £
1842	2,710,515	408,220	3,078,289	411,070
1843	2,552,267	481,102	3,149,554	381,907
1844	2,690,969	422,968	3,555,789	324,982
1845	2,982,867	403,083	3,784,118	676,674
1846	3,097,930	1,116,088	4,046,526	1,284,261
1847	3,533,346	1,280,597	3,783,904	1,100,258

It has also had the effect of inducing the banks to increase their charges, and to decline granting cash credits. The banks are required to keep in

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their coffers a large amount of gold. This increased amount yields no interest; and hence to that extent the Act diminishes their profits. To make up the same amount of profit as heretofore, the charges for discounts and advances are increased. This illustrates a principle that we think will always be found correct, that *restrictions upon banks are taxes upon the public*. This principle is not sufficiently obvious to statesmen, nor even to the public, in England; the mercantile classes have been pleased, rather than otherwise, when laws have been passed injurious to bankers. In Scotland such matters are better understood. The commercial classes have always rallied round the banks; they have had the sagacity to perceive the truth of the principle we have advanced; they know that capital employed in banking must be made to produce an average profit: and if the Legislature causes one branch of business to be less productive, the bankers must make other branches more productive, in order to render capital employed in banking as profitable as it would be if employed in other occupations. But the Act of 1845 not only increased the charge, it led to a limitation of accommodation. There is no one point on which Scotchmen, of all classes, are more unanimous in opinion, than on the advantages that have arisen to their country from the system of cash credits. This system can exist only with a note circulation. One of its objects on the part of the banker is to increase his circulation. But he has no profit by increasing his circulation of notes, if he must keep in his coffers an additional amount of gold equal to that increase. But gold is the idol of our currency theory. The cash credit system, therefore, with all the virtues it produced, has been offered up in sacrifice to this "golden calf."

The following Table shows the Circulation of all the banks in Scotland during the year 1848:—

AMOUNT OF BANK NOTES *authorized by law to be issued by the several BANKS OF ISSUE*
IN SCOTLAND and the AVERAGE AMOUNT OF BANK NOTES IN CIRCULATION and
of COIN held during thirteen periods of four weeks, from December 4th, 1847, to November
4th, 1848, as published in the Gazette.

Names of Banks.	Authorized Circulation.	Average Circulation.	Coin.
Bank of Scotland	£ 300,485	£ 326,276	£ 160,042
Royal Bank	183,000	182,293	80,866
British Linen Company	438,024	408,300	142,052
Commercial Bank of Scotland	374,880	430,415	146,449
National Bank of Scotland	297,024	292,681	70,415
Union Bank of Scotland	327,223	304,923	91,163
Edinburgh & Glasgow Bank	136,657	124,048	36,716
Aberdeen Banking Company	88,467	103,776	33,652
Aberdeen Town & County Bank	70,133	83,767	18,950
North of Scotland Banking Company	154,319	141,919	18,772
Dundee Banking Company	33,451	27,821	5,281
Eastern Bank of Scotland	33,636	31,806	6,518
Western Bank of Scotland	337,938	374,959	111,694
Clydesdale Banking Company	104,028	100,621	28,001
City of Glasgow Bank	72,921	104,366	52,657
Caledonian Banking Company	53,434	55,296	15,762
Perth Banking Company	38,656	43,738	13,738
Central Bank of Scotland	42,933	43,743	10,880
Totals	3,087,209	3,180,748	1,043,608

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The following is the latest return, taken from the Bankers' Magazine for May, 1849, and shows the proportion between the notes of £ 5 and above, and those below £ 5. One advantage arising from this publication is, that we can so readily refer to the records of the circulation. Those who have never waded through Parliamentary Returns in order to prepare tables for the public little know the time and labor thus consumed. We now find this done to our hand, and laid before us in a most lucid manner, every month. The future history of banking and of currency will be compiled from the facts recorded in the pages of the Bankers' Magazine.

AVERAGE CIRCULATION and COIN held by the SCOTCH BANKS during the four weeks ending Saturday, the 24th day of March, 1849.

Names of Banks.	Authorized Circulation.	Average Circulation during Four Weeks ending as above.			Average Amount of Gold & Silver Coin held during Four Weeks ending as above.
		£ 5 and upwards.	Under £ 5	Total.	
	£	£	£	£	£
Bank of Scotland	300,485	95,125	194,649	289,774	160,304
Royal Bank of Scotland	183,000	58,759	115,037	173,796	79,001
British Linen Company	438,024	125,255	255,999	381,254	135,387
Commercial Bank of Scotland . .	374,880	124,928	257,145	382,073	107,951
National Bank of Scotland . . .	297,024	85,453	182,351	267,804	52,977
Union Bank of Scotland	327,223	107,477	190,477	297,954	105,525
Edinburgh & Glasgow Bank . . .	136,657	45,206	73,924	119,130	34,426
Banking Company in Aberdeen . .	88,467	31,213	68,856	100,070	40,207
Aberdeen Town & County Bank . .	70,133	21,534	52,869	74,703	16,925
North of Scotland Banking Company .	154,319	46,853	80,512	127,366	19,544
Dundee Banking Company	33,451	8,208	18,996	27,205	4,698
Eastern Bank of Scotland	33,636	11,876	18,226	30,102	8,170
Western Bank of Scotland	337,933	99,864	255,937	355,801	116,909
Clydesdale Banking Company . . .	104,028	20,233	70,632	90,565	31,193
City of Glasgow Bank	72,921	39,572	58,657	98,229	56,670
Caledonian Banking Company . . .	53,434	13,626	33,163	46,789	16,642
Perth Banking Company	38,656	10,187	24,554	34,741	11,102
Central Bank of Scotland	42,933	10,603	26,561	37,464	11,242
Totals	3,087,209	956,272	1,978,845	2,935,120	1,009,173

Among the theories on the currency was a notion of establishing one bank of issue for the United Kingdom. The following evidence on this subject was given by Mr. Kennedy, the manager of the Ayrshire Bank, before the Committee on Banks of Issue in 1841 : —

“ Do you think the establishment of a single bank of issue for the United Kingdom would be advantageous or otherwise to Scotland ? ” “ I conceive that it must be very destructive to Scotland.”

“ In what way ? ” “ It is perfectly clear that it would overturn the present system of banking in Scotland. Our system of banking is based upon the power that our currency gives us to allow a high rate of deposit interest ; if you take from us the profit that our currency yields, we must make our profit from some other source ; we must increase the charges to the community, and allow less interest, or probably no interest at all, and our system will be totally changed.”

Another favorite notion has been the abolition of all notes under £ 5. A Committee of the House of Lords and a Committee of the House of Commons made reports on this subject in the year 1826. The evidence

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produced by the Scotch banker was so overwhelming, that both the committees recommended the postponement of the measure. Robert Paul, Esq., secretary of the Commercial Bank of Scotland, stated to the Committee of the House of Lords that the following would be the effects of the abolition of the small notes. (*Lords' Report*, p. 204.) : —

“ We should diminish the number of our branches, because we should be involved in an expense in the transmission of gold, which the profits arising out of our branches could never compensate ; they are not the most profitable part of our business ; they are attended with a great many hazards and disadvantages.

“ We should withdraw our cash accounts, because they could no longer accomplish the end for which they were granted ; which was the maintaining our circulation, especially of our small notes.

“ We should diminish the interest of our deposit accounts, because we should then be required to keep a very large amount of dead stock of gold in our coffers, to meet the constant variations that would arise, and to keep it wholly unproductive. I imagine that if a gold currency were substituted for a small-note currency, there would be a much greater amount of gold required than there is at present of notes. We have at present, in order to meet the constant variations, a large amount of notes constantly on hand, and in the same way we should require a stock of gold, and that would be proportionably larger as the general circulation would be greater.” (*Lords' Report*, p. 132.)

The following letter, written by an agent at Inverary, to Roger Aytoun, Esq., manager of the Renfrewshire Bank at Greenock, states the inconveniences which the writer apprehends would result from the introduction of a metallic currency into that part of Scotland : —

“ With regard to the proposed measure of suppressing bank notes in Scotland for less than £5, I think it would be ruinous to this country ; for I cannot see how, if it takes place, the business of the country can be carried on. Confining myself to some of the most prominent instances in which the Highlands will be affected, I shall state the difficulties that occur to me. Our produce chiefly consists of cattle and sheep, grain, wood, kelp, and the production of the fisheries. Cattle are brought to the country markets by the breeders, chiefly small farmers, every man attending his own, and having generally from one to three young animals for sale. There they are met by the dealers and graziers, who purchase such of the beasts as suit them ; and it is seldom that a single animal, at the age of one or two years, being the ages at which they sell them to the dealers and graziers, comes to the price of £5 ; the price is more frequently from £2 to £4. Of these a dealer often purchases two or three hundreds in single beasts, so that he has more than £1 and less than £5 to pay to each of as many sellers ; but he has no notes under £5, and the sellers are not able to return balance in any coin. This will occur to many dealers at every market ; and how is the difficulty to be removed ? The dealers must all come loaded with gold and silver, and this they cannot carry to the necessary amount ; and besides, they will not be supplied by banks with gold and silver for their bills by which there would be no profit. The means of paying being wanting, the seller will not deliver, and the object of the parties is frustrated ; and thus a difficulty is cast in the way of disposing of this material article of Highland produce, which must discourage the sales, and occasion a reduction of price, and consequently of the rent and value of land.

“ It is the same in the case of grain, of which bear or barley is what is chiefly sold by small farmers to the distilleries. In settling for some bolls, bought in small quantities of two or three bolls, £5 notes will be found most inconvenient ; and the purchasers and manufacturers of wood and bark, and of seaweed for kelp, who require many hands, and pay off their workers generally once in a month, none of whom will draw so small a sum as £1, nor so large a sum as £5, will experience the same difficulty.

“ The herring fishery on our coasts employs several thousand men, and is of very great importance. Instances have occurred of herrings being taken in Lochfyne alone to the value of £40,000 in one season ; and a thousand boats are generally employed

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there in the fishing. The fishermen every morning sell their fish to the curers on shore, receive their money, and set out in quest of more. The value of each boat's fishing for a night sometimes exceed £5, but generally is under it; and there are, in this fishing station alone, a thousand boats to be paid off every morning, of whom most probably two thirds have to receive less than £5 each. It will be impossible to provide gold and silver sufficient for such a purpose; and in the remote parts of the North Highlands, where the fishery is much more extensive, and banks at a greater distance, the difficulty is insuperable.

"At present the business of the Highlands is transacted by means of bank notes of £1 and £1 1s. with some larger notes on occasions, and that with the greatest facility. Cattle dealers, and all others, having to pay away money to any amount in small sums to a number of people, as in the instances mentioned, prepare themselves by a mixture of notes, some large and some small, accompanied by a few pounds of silver, and every thing goes on well. These notes are preferred by the country people, before gold, both because they are unable to distinguish between the genuine and base metal, and because these coins are more liable to be lost from their pockets than notes; and they have no reason to repent their confidence in the stability of these banks, whose notes they have been accustomed to receive for so many years in their transactions. But if small notes are superseded, and gold substituted, it is not easy to see how the supply of gold is to be kept up to carry on the business and transactions of this country. Should a quantity of it be received into the circulation, it would not remain long, but find its way into the banks, who will not again give it out in bills as they do their notes, and it will immediately become a scarce article in the country. A person, then, having to pay in small sums, will on every such occasion be obliged to send his large notes to the bank that issued them, perhaps a hundred miles off, to receive gold and silver in their place, to answer his purpose. The conveyance of it to him is next to be provided for. The weight may be too much for the post. There are no mail coaches; and he must either employ a carrier, moving too slowly for his occasions, or be at the expense of sending a trusty person for the treasure.

"In transmitting money from one part of the country to another, the same difficulty will often present itself. Suppose a person in the Western Isles has to pay £19 to one on the Continent. At present this may be conveniently done by three notes of £5 and four of £1 inclosed by post; but when there shall be no £1 notes, the odd £4 must be sent in gold or silver, not conveniently carried in a post letter, and requiring that a person be employed for the purpose, and at some expense.

"Many other such difficulties and inconveniences will occur. These presented themselves to me, and I stated them hastily, without regard to order. If you find any thing in them useful for the purpose I shall be pleased. But it appears extremely hard that the Scotch system should be disturbed, and that we should be obliged to adopt one, not only unsuitable to our purposes, but ruinous to the business of our country."

V. — Those Operations of the Scotch Banks that refer to Cash Credits, Deposits, Remittances to India, and the Settlement of the Exchanges.

I. Cash Credits. — A cash credit is an undertaking on the part of the bank to advance to an individual such sums of money as he may from time to time require, not exceeding in the whole a certain definite amount, the individual to whom the credit is given entering into a bond with securities, generally two in number, for the repayment on demand of the sums actually advanced, with interest upon each issue from the day upon which it is made.

Cash credits are rarely given for sums below £100; they generally range from £200 to £500, sometimes reaching £1,000, and occasionally a larger sum.

A cash credit is, in fact, the same thing as an overdrawn current account, except that in a current account the party overdraws on his own

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individual security, and in the cash credit he finds two sureties who are responsible for him. Another difference is, that a person cannot overdraw his current account, without requesting permission each time from the bank; whereas the overdrawing of a cash credit is a regular matter of business, — it is in fact the very thing for which the cash credit has been granted. The following advantages have been ascribed to the cash credit system.

1. Cash credits enable young men of good character to acquire wealth and respectability. (This, and the following quotations, are taken from the evidence given by the witnesses from Scotland, before the Committees of Lords and Commons, appointed to consider the expediency of abolishing the notes under £5).

"I have known many instances of young men who were starting in the world from low situations of servants, who have conducted themselves well during the time they were apprentices, or farm servants even, who were able to procure an account from a bank by means of some friends or acquaintances becoming their securities, that in the course of their business have raised themselves to situations by becoming farmers of considerable extent, or manufacturers in a way highly creditable to themselves and beneficial to the country.

"Without cash credits, sober, attentive, and industrious people, would not have the means at all of following up what they very deservedly might be encouraged to follow up; they begin the world, in all probability, with a mere trifle, which trifle they have been known to make by their own industry. Having made that, it recommends their character to persons of perhaps a little more fortune, who, to encourage them, become sureties for their cash accounts.

"The classes of persons who have cash credits are very various; but they are generally the industrious classes of persons, merchants, and traders, and farmers.

"The accommodation is more readily given to a small than to a large amount, — the bank preferring to grant ten credits for £100 than one for £1,000, thereby demonstrating that their accounts are quite as much for the assistance of the poor as for the accommodation of the rich."

2. Cash credits furnish great facility to tradesmen and others in carrying on their business, either in the way of raising money, in making purchases, or in employing at particular seasons their surplus capital.

"Is the advantage to the party borrowing greater under the system of cash credit than under the system of lending in the ordinary mode? — Infinitely.

"Why? — As to the question of actual pounds, shillings, or pence, paid in the shape of interest, there is, in the first place, this difference, that when he discounts a bill he pays the interest on the sum for three months, if that be the currency of it; should any accidental mercantile transactions throw into this individual's hands, on the next day, the same amount which he had thus received from the banker, he has lost the benefit of the transaction, because he must keep this; if he has a deposit account with the banker he must keep it at banker's interest, while he is anticipated by having paid to the banker three months' discount interest on his bill; if a trader were to take his money systematically by discounts instead of by cash accounts, a disadvantage to him would arise. The same principle applied to small sums; if half or a quarter, or any part of the advance which he may have received upon the cash account comes in to him, he immediately lessens the advance by paying it into the bank, and the interest being calculated at the close of the account, there is a progressive account of interest diminishing with the principal sum till it is extinguished. So far as to actual benefit of interest; but the convenience of getting money when wanted, affords a very material advantage, independent of the actual benefit.

"What are the facilities that exist in obtaining this sort of advantage, compared with those of obtaining an ordinary loan? — When a person applies for a cash account, which is not an immediate advance of money on the part of the bank, but a

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conferring of the power or privilege of drawing upon the bank to the extent specified, the person proposes two or more personal sureties: a bond is made out, and he draws as occasion requires. In this way he has never more from the bank than is absolutely necessary for the purposes of his business. The account is never recalled, unless it has ceased to be beneficial to the bank, by having been but little operated upon, and thus not having promoted the circulation of the bank's notes. Whenever it becomes a dead advance, the bank calls it up. In the case of a person obtaining a loan, he would probably in the first place, have to pay the interest down at once; he would have to pay it upon the whole sum, whether he should require it ultimately or not, and it would be liable to be recalled by the lender at his pleasure."

"The person who procures a cash credit, does so upon the security of two or three substantial individuals. He may be a man of little property, but upon that security he gets a credit, perhaps of £500; his bill to any thing like that amount, without those securities, would not be discounted.

"After the permanent credit is given, the option of using it lies solely with the borrower, not with the bank, as does also the option of the period of repayment.

"If a small trader borrow of an individual (not a banker) £100, that individual would not be disposed to receive back his money in £5, or £10, or £15, — he would wait till the term expired, when he would receive the whole. When a credit is granted, the individual, perhaps, draws out £50 to-day, and pays in £40 to-morrow, and goes on in that way, always having credit with the bank to the extent originally stipulated.

"The repayment as well as the overdraft is permitted by the bank to be made in small sums piecemeal: so that by attention in his repayment, the borrower saves himself from paying interest on more than the precise advance for which he has occasion at the moment, and can constantly convert to a safe and profitable purpose the money which he may receive in the course of his trade, however small the amount.

"These advantages are steadily and uniformly afforded at all times to the industrious tradesman, or farmer, the merchant, the professional man, and the landlord."

3. Cash credits supply capital for carrying on extensive branches of trade, employing the population, and constructing public works.

"Cash credits for small sums enable the poor to be as instrumental, as far as their means go, in increasing the capital of the country as the rich are. For the produce of that industry which cash account credits enable to operate, and of that capital which they leave at liberty to be employed in trade, goes to increase the real wealth and capital of the country; and a great proportion of the transactions, carried on through the instrumentality of cash accounts, consists of those of the poorer classes.

"I apprehend that those cash credits have enabled a large number of manufacturers to carry on business, and to employ the population of the country, who, if they had not such credits, could not have carried on such business, nor employed such population.

"Cash credits are granted to almost all descriptions of persons throughout the country. Every young man who has a prospect of success on entering life, applies for a cash credit. A great many gentlemen have cash credits, and a great many farmers. There is hardly any public work undertaken in Scotland that the first object is not to apply for a cash credit, to carry it on to advantage. All the roads in Scotland are managed by Parliamentary trustees; and I believe there is hardly any one of those sets of trustees which have not cash accounts for the purpose of carrying on their operations. I am sure many of the most important public works in Scotland would not have been carried on, or certainly not with the same advantage, but for the credits they obtain from the banks."

4. Cash credits prevent large manufacturers setting up as bankers, and thus they exclude those evils which in other countries have resulted from the failure of private banks.

"When the system is applied to the case of large manufacturers, employing hundreds or thousands of workmen, and possessing a cash credit to a proportionate amount, upon sufficient security, one obvious effect is, that the temptation is removed from the manufacturer, of attempting to issue notes, and becoming himself a banker,

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an error or temptation which, if what is said is true, has been the main cause of the institution of many insufficient English bankers, whose partners, from being good traders, became bad bankers, and brought upon their own district the distress which bad banking sooner or later always produces."

5. Cash credits have a considerable moral influence upon the habits and character of the people.

"The security afforded to a bank by its debtor, or rather its customer, on a cash credit, is by bond, with two sureties at the least, — occasionally there are not two sureties, but frequently many more; the practical effect of which is, that the sureties do, in a greater or less degree, keep an attentive eye upon the future transactions and character of the person for whom they have thus pledged themselves. And it is, perhaps, difficult for those who are not intimately acquainted with it to conceive the moral check which is afforded upon the conduct of the members of a great trading community, who are thus directly interested in the integrity, prudence, and success of each other. It rarely, indeed, if ever, happens that banks suffer loss by small cash credits.

"This system has a great effect upon the moral habits of the people, because those who are securities feel an interest in watching over their conduct, and if they find they are misconducting themselves, they become apprehensive of being brought into risk and loss from having become their securities, and if they find they are so misconducting themselves, they withdraw the security.

"Sometimes cash credits are recalled from the interference of the securities. They have the power of knowing from the bank at any time the state of the account, and the operations upon it; and if, from that, or from other circumstances, they have been led to think less favorably of the person for whom they gave the security, they can immediately cease to allow that account to be further operated upon."

The Report of the Committee of the House of Lords contains the following observations upon the effects of cash credits: —

"There is also one part of their system which is stated by all the witnesses, (and in the opinion of the committee very justly stated,) to have had the best effects upon the people of Scotland, and particularly upon the middling and poorer classes of society, in producing and encouraging habits of frugality and industry. The practice referred to is that of cash credits. Any person who applies to a bank for a cash credit, is called upon to produce two or more competent securities, who are jointly bound; and after a full inquiry into the character of the applicant, the nature of his business, and the sufficiency of his securities, he is allowed to open a credit, and to draw upon the bank for the whole of its amount, or for such part as his daily transactions may require. To the credit of this account he pays in such sums as he may not have occasion to use, and interest is charged or credited upon the daily balance, as the case may be. From the facility which these cash credits give to all the small transactions of the country, and from the opportunities which they afford to persons who begin business with little or no capital but their character, to employ profitably the minutest products of their industry, it cannot be doubted that the most important advantages are derived from the whole community."

As by cash credits the banks render themselves liable to be called upon at a moment's notice for the amount of the credit granted, it is natural to suppose that they contemplate some advantage in return. The advantage contemplated is the circulation of their notes. It is not intended that the cash credit shall be a dead loan of capital. It is expected that there shall be a perpetual paying in and drawing out of money, and the smaller the denomination of the notes drawn out, the more advantageous is the account to the bank. Manufacturers, who pay away large sums every week in wages, linen buyers and cattle dealers, millers and provision merchants, who make their purchases in small sums, and generally

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all those who have quick returns of money passing through their hands, have the means of making a cash credit profitable to the bank. On this subject, I again quote the evidence : —

"To secure to the bank the advantages of circulation, which is to make it worth while to afford these facilities at so little expense to their customers, he, on his part, is to lose no opportunity of bringing to the bank, and thus withdrawing from circulation, the notes of every rival bank which comes into his hands in the course of his transactions; or of paying away, and thus introducing into circulation, as many of the notes of the bank as his transactions admit of, always £1 notes if possible. The payments and receipts must be frequent, for in this consists the banker's profit, inasmuch as the payments are uniformly made by him in his own notes, and the receipts are generally, in a very great degree, in the notes of other banks. Thus, supposing a shopkeeper to have a credit for £50 or £100, if his receipts and payments average £5 per day, he may in six months, or 150 days, have placed 750 of his banker's £1 notes in circulation.

"It is quite necessary, in order to render a cash account beneficial, that there should be repeated and continued operations upon it; that the transactions should be numerous; that there should be a continual drawing out and paying in of money; and that, by these means, a circulation of the bank-notes may be promoted; otherwise the account is withdrawn, and the great reason of this is, that these accounts are not intended to form dead loans, but to be productive of circulation to the bank.

"The explanation of the cash credit system is this: — The bank who first opened a cash credit, opened it with an individual shopkeeper. He received payment of his goods in the currency of the country. Previous to that system, he used to put his currency into his drawer, £8 or £10, or whatever it was. If people brought him larger money to pay for his goods, he returned those people change; or if he did not, he kept it until he wanted to purchase for himself. But, after the banker had explained to him what he wished him to do, when the shopkeeper received the currency of the country, instead of putting it into his till, he looked to the banker's shop as his till, and handed it over to the banker, and left his own till with only the change which he could not do without. Then, when he required sums to pay away, instead of taking them from his till, he sent to the bank, and took from it what he required, the banker giving him his own notes. So much of the previous currency was thus removed, and the banker's notes taken in its place. That was the effect of the first operation, when the thing was only in so simple a state that there was only the notes of one bank and a metallic circulation. If you apply the same principle where there are thirty banks, the result would be the same. The amount of the circulation of the country continues the same, but the proportion between its parts vary."

II. DEPOSITS.

A sum of money deposited or placed in a bank is called a deposit. Some banks grant interest on these deposits; others do not. The London bankers allow no interest on deposits, but the English country bankers usually do. The Scotch banks have carried this practice to the greatest extent; and the deposit system forms a very important branch of the banking system in Scotland.

Those regulations which the banks have established as the rule of their transactions between themselves and the depositors are the following: —

The depositor may place in the bank any amount of money he pleases above £10.

The whole or any part of the deposit may be withdrawn at the pleasure of the depositor without previous notice.

Interest is allowed on the deposit from the day it is lodged in the bank until the day it is drawn out.

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The balance of a current account is allowed interest at the same rate as though it were a permanent deposit.

The following are the advantages ascribed to the deposit system :—

1. The system of deposits is advantageous to the lower classes, in providing a place of safety for their deposits, in granting them interest on their savings, in encouraging habits of frugality, and thus often enabling them to advance in society.

“ The deposit branch divides itself into two parts :— There is, first, what is called a running account, where the party pays in from day to day the whole surplus funds in his hands, and on which he receives interest. These depositors are, in general, shopkeepers, and merchants, and traders, more particularly in large towns; and in these deposit accounts there is found at their credit at the close of every day, the whole amount of the money for which they have not immediate employment in their trade. The second branch of deposits consists of small sums placed in the hands of the bank at interest, which have been in general the savings of their industry, and which are put into the hands of the bank to accumulate, and on which they may operate not in the way of a running account. They may receive a partial payment whenever they please; and in general these deposits are very seldom removed, excepting when an individual has occasion to build a house or begin business. This class of deposits is distinguished from running accounts by the name of deposit receipts.” (*Lords' Report*, p. 80.)

“ What class of the community is it that makes the smaller deposits?— They are generally the laboring classes in towns like Glasgow. In country places, like Perth and Aberdeen, it is from servants and fishermen, and just that class of the community who save from their earnings in mere trifles and small sums till they come to be a bank deposit. There is now a facility for their placing money in the provident banks, who receive money till the deposit amounts to £10. When it amounts to £10, it is equal to the minimum of a bank deposit. The system of banking in Scotland is just an extension of the provident bank system. Half-yearly or yearly these depositors come to the bank, and add the savings of their labor, with the interest that has accrued from the previous half-year or year, to the principal. And in this way it goes on, without being at all reduced, accumulating, till the depositor is able either to buy or build a house, when it comes to be one, two, or three hundred pounds, or till he is able to commence business as a master in the line in which he has hitherto been a servant. A great part of the depositors of the bank are of that description; and a great part of the most thriving of our farmers and manufacturers have risen from such beginnings. And in regard to the deposit receipts, I may just mention what is generally the way in which they are granted. To-day a person from the country appears at the bank, it may be with £20 or £30 or £50. We probably never see him again till that day twelvemonths, but we are sure of seeing him about that very day. If he has £20 in the bank, he may come and say, ‘ There are four guineas; you will give a receipt for £25.’ He knows well that the £20 has earned 16s. interest; and I do consider that the four guineas are just the savings of the year. He goes away with his new receipt, and returns on that day twelvemonths; then again it is added to, and thus accumulated, — and so on in many instances throughout the country.” (*Commons' Report*, p. 159.)

2. The system of deposits is advantageous to capitalists in furnishing them with a secure mode of employment of capital, either for a longer or a shorter period, at their pleasure.

“ What class of persons form the large and steady depositors in the Scotch banks? — The middling and the lower order of society, industrious poor people, who are saving their money, and small capitalists who have raised a moderate sum of money, upon the interest of which they live.

“ Do many persons live upon the interest of their deposits, as far as you know? — Yes, a great many. (*Lords' Report*, p. 165.)

“ Do you know whether it is the practice of persons who have small capitals in Scotland, to invest them in the public securities in London, or to deposit them with the

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banks in Edinburgh ! — I believe, almost universally, to deposit them with a Scotch bank.

" And they live upon the interest of what they so deposit, in the manner as persons here live upon their interest on stock ? — Yes ; they often look to the permanent capital with a view of leaving it at their death, taking the interest during their lives." (*Commons' Report*, p. 124.)

" The deposit accounts are of two kinds, — one kind from the commercial people who have large sums that they wish to keep in a disposable form, waiting an opportunity of any investment which may occur. Of the operating deposits, there are others who keep the money until a favorable turn in the Stock Exchange enables them to invest it there. And there are others, respectable householders, who keep it for the purposes of their family expenditure. I reckon that these and the sums due upon them average one half of the aggregate amount of a bank's deposits." (*Lords' Report*, p. 183.)

" Have you formed any estimate of the amount of deposits in all the banks in Scotland ? — I certainly have been at very great pains to get information upon the subject ; and I am satisfied that the amount is considerably above twenty millions, — I should say, twenty-five millions.

" From what class of persons are those deposits chiefly ? — Generally from industrious tradesmen, small shopkeepers, varying from £10 to £500. The greatest number of deposits, and the greatest in their aggregate amount, are in small sums.

" Are there not, however, deposits from richer classes, and each of them to a much larger amount ? — Certainly, there are deposits from £1,000 to £20,000 and £30,000. (*Ibid.* p. 231.)

" In the spring of 1824, the banks in Scotland began, in some instances, to decline accepting deposits at all. — In the autumn of 1824, the great banks made an express rule that they would not accept more than £5,000 from any one depositor. They allowed 2½ per cent. on the first £3,000, and 2 per cent. upon the remainder of the £5,000, and above that they would not allow any interest. That was the general rule with the great banks at that period. There were many people who preferred leaving their money, though they received little or no interest, to taking it away. That commenced in 1825." (*Ibid.* p. 158.)

3. The system of deposits is advantageous to the country, by augmenting the amount of national capital, by increasing the demand for labor, by granting facilities to trade and commerce, and by removing the temptations to engage in hazardous speculations and foreign investments.

" This system was adopted before the middle of the last century. The rate of interest allowed since then has been regulated by the value of money, and has, of course, fluctuated considerably ; but it has ever been such as to afford as high a return to the depositor as has been consistent with the reasonable profit, and of course the security of the bank. The effect of this system has been to encourage and to afford the means of the accumulation of capital among the lower, as well as the higher, orders, by placing within the reach of all, a convenient, safe, and moderately profitable investment of money, and to offer an inducement to capitalists to retain their accumulations in Scotland, notwithstanding the opportunities or temptations which foreign investments might hold out." (*Lords' Report*, p. 175.)

" The system of deposit accounts, I think, is a very great stimulus to the habits of industry, and economy, and frugality, in Scotland. The whole surplus capital of the individual is thus rendered productive.

" Under the system on which you conduct your business, is not the money arising from those deposits issued out, to encourage the further consumption of labor in the country ? — Yes.

" It would be a loss, then, to the country, if it was to be removed from the channel in which it is now placed, into this country, on government debentures ? — It certainly would.

" Under this system, does not the poor workman gain immediate interest for his saving, whilst the saving is immediately employed, through the bank, in putting a further portion of labor into motion ? — Precisely so. It is in this way that the wealth of

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those individuals is concentrated, and, through the agency of the bank, is brought to bear in carrying on the business of the country." (*Ibid.* p. 283.)

"Is there not an advantage to the public from the gathering of those small capitals together, forming part of the deposits of the bank, and so being sent out again in large sums, like other capitals, for the purpose of being applied to increase the powers of productive industry?—The Scotch banks form a sort of reservoir for receiving the small sums of capital scattered throughout the community, and then sending them forth into channels of trade, so as to promote the commerce, manufactures, and agriculture of the country." (*Commons' Report*, p. 203.)

"Are you of opinion that if the deposits with the banks of Scotland were considerably lessened, the banks could afford the same accommodation by discounts which they do at present?—I should think that is impossible, because it forms part of their capital. It would diminish the capital which is at present employed in that business, of which discounting forms a great part.

"Would not any such diminution of discount operate injuriously to the general trade of the country?—The want of those discounts must diminish the trade of the country, inasmuch as the manufacturer and merchant receives his money at least three months sooner by discounting their bills, than he could possibly get payment of his account." (*Lords' Report*, p. 266.)

"The system of deposits forms a great part of the funds arising from our banking system. It is a great deposit of money, which is given out to the trade of the country, for the profit of one per cent., for which the bank runs the risk of its business. If that great deposit were withdrawn, and could not be issued with the same degree of safety, I conceive the consequences would be a total derangement of the whole system, and ruin of our country." (*Lords' Report*, p. 235.)

"If the banks are under the necessity of reducing the interest on deposit accounts, the depositors must look about them and find out on what security they can lend their money so as to obtain a higher rate of interest. It would certainly diminish the capital of the trading part of Scotland, inasmuch as the banks would not have it in their power to assist them in trading by discounting, but it might be lent on Government securities or landed property, and the temptation of a higher interest from individuals would, undoubtedly, be a temptation to many, and a temptation that could scarcely be resisted by those whose income depends entirely upon the interest of that lent money, to lend it on personal and doubtful security.

"When the banks reduced their interest some time ago, a great part of the deposits was drawn out, to be invested in various different ways. And, as the depositors did not get from the banks the interest on which they were depending, and did not choose to make a less interest, many of them went into schemes, which have turned out very ruinous to them. It has been one great cause of over-speculation, that the people did not get the interest they had been accustomed to from the banks. They, therefore, drew it out to invest it in joint-stock companies, lent it to builders, or other inferior securities, or became builders themselves." (*Ibid.* p. 250.)

4. The system of deposits is advantageous to the banks, by inducing every person to deposit his money in a bank, by furnishing the banks with capital to carry on their business, and by putting in circulation a large amount of their notes.

"The universal practice at Glasgow is to pay into the bank with which the individual transacts his business, the whole of the notes he has in his possession, or nearly the whole, every day." (*Commons' Report*, p. 50.)

"Unquestionably, the giving of interest upon deposits is an inducement to every person that has any surplus money in his hands, to place it in the hands of his banker. And in the same way in the case of cash accounts, every payment by the holder of a cash account into the bank, either diminishes the interest he has to pay to the bank, or if the account should turn in his favor, enables him to get interest from the bank, and that is a great inducement for every person to pay in daily into his banker's hands all the money which he does not require for the purposes of his business." (*Commons' Report*, p. 201.)

"The means of a bank I conceive to consist of three things: first, capital paid in

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its own stock ; secondly, the notes which the bank is able to keep afloat in the circle ; thirdly, the amount of the deposits." (*Lords' Report*, p. 195.)

" And if the amount of deposits were lessened, in that case their means of issuing money upon discount would be proportionately lessened ? — Yes. (*Commons' Report*, p. 150.)

" Every bank constituted as the banks of Scotland are, make advances in two ways, — they make them upon cash credits, and they make them upon the discount of bills. They also borrow in two ways, — they borrow upon deposit receipts, and they borrow also upon accounts current. That is, if a gentleman opens an account, and puts £100 to his credit, and operates upon it, drawing out a part of it, leaving a balance in the hands of the bank, then is there a borrowing to the extent of the balance that is so left. Those accounts we do not allow to be overdrawn, so that the advance is in two ways, and the borrowing in two ways, that is, in two different forms." (*Ibid* p. 180.)

" In the case of small depositors, a considerable part of the profit arising from the deposit of that money is the circulation of the notes. When a depositor withdraws his money from the bank, he receives it in the notes of the bank, and, of course, they go into circulation. As long as they remain out they are a source of profit." (*Commons' Report*, p. 45.)

" The bank issue their notes two ways, — they make advances upon cash accounts, and they make advances upon discounts. They also issue their notes in payments upon accounts current, and also in the re-payment of deposit receipts." (*Lords' Report*, p. 236.)

" The deposit and cash accounts are the instruments for supporting our circulation, and without the continued operations upon the deposits and cash accounts our circulation cannot be maintained." (*Ibid*. p. 135.)

III. REMITTANCES TO INDIA.

Although this branch of banking business is not peculiar to Scotland yet I believe the banks of Glasgow have carried it on to a greater extent than any other banks. This has arisen partly from the more intimate connection that exists between Glasgow and India, and partly from the character of Scotch banking. We refer to the practice of granting bills of exchange to be sent out to India, accompanied by an undertaking to accept them when presented.

To enable our readers to understand distinctly this branch of business, we must give a short description of the banking and commercial operations of India. The business transacted at each of the Presidencies consists of importing British manufactured goods, and exporting the produce of the country, such as cotton, indigo, &c. Some of the merchants who are engaged in these operations act also as bankers. They receive deposits, and allow interest on them, receive dividends on India stock, and make remittances to England. Their business in this way was formerly very extensive, but has recently been much reduced by the establishment of banks all over the country. One part of the business of these mercantile bankers is to advance money on shipments of goods either to England or to China, taking as security the bill of lading and the policy of insurance. Here they often find a powerful competitor in the East India Company ; and the mercantile interests, in both India and Glasgow, are desirous of excluding the Company from this kind of business. (See the Evidence taken before the Committee of the House of Commons on Commercial Distress, 1848.)

I cannot better describe the kind of business carried on in India, than

Remittances to India.

by the following extract of a letter I received about two years ago, in reply to some inquiries I made on the subject:—

“One part of business which the houses used to do largely was advancing on shipment of goods to England and China, and it is still done by Messrs. _____ and _____. The system is:—A. ships £10,000 worth of goods for England, and takes the bills of lading and policies of insurance to B., who agrees to advance three fourths of the value; the shipping documents are indorsed by A. to B., and A. draws bills on the consignee of the goods in London for the value, in favor of B., payable at six months' sight, and directs him to accept the bills when presented by B.'s London correspondent. As the goods will most probably arrive in London before the bills fall due, the consignee will take them up before the due date, and with the bills receive the shipping documents from B.'s correspondent. Sometimes, however, it may be that A. has no agent in London, and the goods are therefore consigned to B.'s correspondent, who is instructed to sell and remit the proceeds by bills, or with the purchase money of the Indian goods to buy British manufactured goods, and ship them consigned to B. You will easily perceive what large profits could be realized in this way, as commission is charged on the sale of the Indian goods, and purchase of British, and a high rate of interest on the advance until it is paid off.

“The East India Company usually get a portion of the money required for the home expenditure, from India, in this manner. Last month, the government here gave notice, that, in pursuance of instructions from the Court of Directors, it was proposed to provide a sum of £800,000 in India during the remainder of the official year 1846–47, for the service of the East India Company in London, by the purchase of bills of exchange to be secured by the hypothecation of goods. Advances in cash are accordingly made for the purpose by the governments of Bengal, Madras, and Bombay, at the rate of exchange of 2s. per company's rupee; the operation is exactly the same as I have stated in the former case. A. ships goods, and, on the security of the bills of lading, policies of insurance, and his bills on consignees in London, at six months' sight, receives from the government an advance equal to three fourths of the value of the goods; the bills, with the shipping documents attached, are sent to the India House; and in due course accepted by the drawee; on the arrival of the goods the bills are paid, and the goods given up. In the event of the ship arriving, and the bills not being taken up, the goods are then lodged in one of the Dock Company's bonded warehouses. If the bills are dishonored at the due date, the goods are sold to reimburse the East India Company for the advance; this, however, is an extreme case, and could only occur in the event of the bankruptcy of the acceptor.

“With reference to the bills drawn from India, with an engagement on the part of the drawee to accept, in the margin, these bills are obtained from a respectable London house, and sent out to this country for negotiation; but I must have recourse again to my favorite plan of illustrating by an example. A. having credit with a London house, or, if not, lodges security, and obtains bills, with an engagement in the margin to accept, and remits them to B., his correspondent, in India, for the purchase of produce; the drawee being well known, the bills obtain a favorable rate in the market, and B. is enabled to purchase produce, which he ships, consigned to A. in London, who, before the bills fall due, pays them; on paying the London house commission on the amount, the transaction is concluded.

“There is another system, and you very probably may have seen some of the bills in the London market. A., a merchant in New York, proposes to send a ship to China for goods, but unwilling to have his money locked up on board ship for so many months, with the additional risk of loss, he obtains, either on personal or other security, from say Messrs. _____'s agent in New York, a letter of credit on the house in London, to honor the bills of the captain or supercargo of the ship. On the arrival of the ship in China, the cargo is purchased and paid for by the bills on Messrs. _____, London: the bills are negotiated in China, with the indorsement of _____'s agent there, and as soon as A., in New York, receives advice of the same, he remits the amount to London, to meet the bills when they fall due. I inclose you a form of one of these American bills. Sometimes money is sent to India by means of London bankers' bills, and I have seen Messrs. _____'s bills offered for sale, but being drawn at short dates, do not obtain such good rates of exchange as might be expected; they are seldom used for commercial purposes, but are

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taken by officers of the civil and military services, wishing to make remittances to their families at home. I understand that the Western Bank of Scotland issues bills with an engagement to accept.

"This operation, as far as an exchange operation, of the banks issuing the bills, would not realize a profit sufficient to cover the risk. Suppose the London and Westminster Bank sent out to an agent here its bills at six months' sight, for £20,000 and that the bills are sold at 2s. per rupee; the agent must then remit the rupees (200,000), which he has received, and even admitting that he could obtain good commercial bills at 2 per cent. under that rate, it would scarcely pay his commission on the transaction.

"The usual way in which merchants settle their exchange operations in Bombay, and I believe it is the same all over the East, is by sending a notice to each house, intimating that A. & Co. have £10,000 to draw for on England; A. & Co. are called *sellers*. B & Co. want to remit £5,000 to England, are called *buyers*, and offer for that amount of A. & Co. bills; C. & Co. are also buyers, and offer for £5,000 more, so that the whole transaction is completed; and unless a bank is prepared to buy up all the bills offered for sale, at the same, or a more favorable rate than a merchant can offer, it cannot carry on its exchange operations profitably, the merchants buying and selling amongst themselves, save all the bankers' charges. This, I imagine, has been the case in all countries before the system of banking operations was clearly understood; and I have no doubt, but that in a short time we shall see all exchange business done by the banks."

FORMS OF LETTERS OF CREDIT.

To explain further this system, we shall transcribe the form of the bill referred to in the above letter, and also the forms of the bills issued by two banks at Glasgow.

No. 131.
 £300 Sterling.
 For First of Exchange.
 New York, 7th June, 1842.
 To Geo. D. Carter, eastward of the Cape of Good Hope, or holder thereof.
 We are duly authorized by Messrs. Palmers, Mackillop, Dent, & Co., London, to engage on their behalf that they will accept the first presented bill of this set of Exchange, at Six Months' Sight, provided this Certificate be presented therewith and delivered to Messrs. Palmers, Mackillop, Dent, & Co., on their acceptance on behalf, Palmers, Mackillop, Dent, & Co.
 Davis, Brooks, & Co.

No. 130.

New York, 7th June, 1842.

Exchange for £ Ster. 300

2385
 R.S. & Co.

Six Months after sight of this First of
 Exchange (Second and Third unpaid) pay to the order of Davis,
 Brooks, & Co. Three Hundred Pounds Sterling, value received,
 as advised by

Your obedient servant,

GEO. D. CARTER.*

To

Messrs. Palmers, Mackillop, Dent, & Co.,
 London.

* This bill is endorsed, "Pay George D. Carter, or order. — Davis, Brooks, & Co."

Remittances to India.

No. £
FOR FIRST OF EXCHANGE.
WESTERN BANK OF SCOTLAND.
18

To
I hereby engage to accept and to pay at Ma-
'urity, the first presented Bill of the set of
Exchange, of which the annexed is the
First, to be drawn by
on the Western Bank of Scotland, on or
before

at Sixty days' sight,
provided this Letter of Credit, as annexed
to such Bill, be presented therewith and de-
livered to me on acceptance thereof.

For the Western Bank of Scotland, Glas-
gow, Manager.

THIRD OF EXCHANGE.

£

CLYDESDALE BANK, GLASGOW.

To
We hereby engage to accept and to pay
at maturity the first presented Bill of the
set of Exchange of which the annexed is
the Third, to be drawn by you on us, on or
before the for £

say Sterling,
payable in London at a date not less than
and not exceeding
days' sight, provided this Letter of Credit
be delivered to us on acceptance of the an-
nexed Bill.

For the Clydesdale Banking Company.

No. £ 18

Sixty Days after Sight, pay

this First of Exchange (Second and Third
of same tenor and date unpaid), to the or-
der of

at Messrs. Jones, L'oyd, & Co.'s, London,
value received as advised.

To the
Western Bank of Scotland,
Glasgow.

No.

£

18

after sight pay this Third of
Exchange (First and Second of the same
tenor and date unpaid), to the Order of

in London

Sterling,

Value received as advised.

To

The Bank of England had their attention called to this subject, and consequently issued expressly for remittance to India bank post bills drawn at sixty days' sight. The following account of this arrangement is taken from a city article of the *Times* : —

" Some inquiries having been made as to the origin of the bills at 60 days' sight, drawn by the Bank of England, alluded to the other day, and the mode in which the operation is conducted, the following information may be found acceptable : —

" About the year 1836, the bills of the East India firms had been brought into temporary discredit by some failures which happened at the time, so that these bills did not find ready purchasers in the Bombay market. It was conceived, therefore, that a new sort of paper of unquestionable credit might be introduced into India with advantage, and nothing seemed more fitted for this purpose than bills made by the Bank of England, and payable by themselves. A resolution, passed in April, 1836, authorized the issue of the required paper, and since that time it has been in use.

" And now, with respect to the mode of operation. A party who wishes to remit money to India applies to the bank by filling up the following form, to which a list is attached, and pays (of course at par) for the bills which he takes : —

" To the Cashiers of the Bank of England.

" London, , 18 .

" request to be furnished with the undermentioned bills, at 60 days
sight, in triplicate, amounting to £ , the firsts to be accepted and held by the

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Bank of England, for the purpose of being delivered to the holders of the seconds or thirds, whichever may be first presented.'

"The bills so obtained are remitted to India, and have a peculiar advantage, which is expressed by the condition in the form that the 'firsts' are to be accepted and held by the Bank of England. The paper which is drawn by a firm in India on London, is generally made payable at 60 days after sight, but the 60 days do not begin to run till after their acceptance in London. The bank paper, on the contrary, being accepted at once, and held for the purpose of being delivered to the holders of the 'seconds' and 'thirds,' the 60 days begin to run from the date, and the bills are payable immediately on their return to London from India. This advantage and the unquestionable credit of the paper, often enable the holder to dispose of them at a good premium in the India market in certain states of the exchanges, and thus they become, as it were, an article of commerce.

"Notwithstanding the advantages of this paper, it is not so commonly used as it might be imagined. This is attributed to the competition of some of the Scotch banks, who offer an inducement for the circulation of their own paper. The Bank of England pay no interest, treating the 60 days' bill just as they would treat an ordinary note, and have the use of the money paid during all the time that the bill is performing its voyage to India, is finding a customer in the Indian market, — a slow process in some states of the exchanges, — and is returning home. The Scotch firms, on the contrary, allow interest during this time, or a portion of it, and thus the capital of the holder does not lie completely idle. Hence a preference is, in many instances, given to the Scotch firms."

IV. REGULATIONS FOR SETTLING THE BANK EXCHANGES AT EDINBURGH.

1. There shall be every Thursday morning an exchange of the notes collected on Monday, Tuesday, and Wednesday; and every Saturday an exchange of the notes collected on Thursday, Friday, and Saturday. The balances struck on Saturday shall, with the Glasgow and country exchange receipts, be settled on Monday. The balances struck on Thursday shall be settled on the same day; and this settlement shall include the country exchange receipts of Wednesday, and the Glasgow exchange receipts of Thursday. The exchange on Saturday shall not be interrupted by holidays; but on these occasions it shall commence at half past nine o'clock A. M. When Monday is a holiday, the settlement shall be made on Tuesday.

2. When exchanges are established in provincial towns, the notes received at the exchanging agencies there must wait for the return of the next local exchange day; and must, under no pretext, be forwarded to meet the exchanges in Edinburgh, or at the other agencies.

3. All payments of balances shall be made in exchequer bills of £1,000 each, the thousands of the balance to indicate the number of exchequer bills; it being understood, that Bank of Scotland, Royal Bank, or British Linen Company notes of £100 each, or Bank of England notes of £100 and upwards, or gold, shall be employed to pay fractional parts of £1,000 only.

4. The amount of exchequer bills to be kept in the exchange circle is apportioned as follows: —

Bank of Scotland	£ 24,000	Western Bank	£ 24,000
Royal Bank	24,000	Clydesdale Bank	12,000
British Linen Company	24,000	Edinburgh & Glasgow Bank	12,000
Commercial Bank	24,000	City of Glasgow Bank	12,000
National Bank	24,000		
Union Bank	24,000		
			<hr/>
			£ 204,000

5. Exchequer bills put into the circle, to be filled up, payable to the banks which have originally contributed them, and to be blank indorsed when first paid away. They shall be registered before they are put into the circle, in a book kept in the Bank of Scotland for the purpose, and shall bear the distinguishing mark of "Edinburgh Exchange Bill," affixed by the Bank of Scotland, showing that they belong to the Edinburgh exchanges, and are not to be used for any other purpose whatever.

Scotch Exchange System.

6. All the exchequer bills placed and retained in the exchange circle to bear a uniform rate of interest, and shall be paid and received in the exchanges at their nominal par value, with the interest accrued; and when they are withdrawn, in consequence of being called in, or from an alteration in the rate of interest, a voucher in the form annexed (Schedule A) shall be issued for each exchequer bill by the banks by whom they were provided to pass as such, till replaced by the new bills in course of post after they are issued from the exchequer.

7. As exchequer bills may be expected to accumulate occasionally with some of the banks, while the stock of others is exhausted or becomes low, the parties holding the greatest amount of bills shall be bound to sell to the parties in want of them, who shall, on the other hand, be obliged to buy; but the holders shall not be required to reduce their stock of exchequer bills, by selling below an excess of two thirds over their original quota, unless necessary for the settlements; and parties whose stock of bills is short shall not be required to purchase more than will make up their stock to one third of their original quota.

8. Purchasers of exchequer bills shall buy from parties holding the largest proportional amount, with reference to their original quota, and two thirds more; and the party holding the largest proportion shall have a continued preference in selling to one or more purchasers, until the stock of the selling bank is reduced to two thirds above their original quota, when the next largest proportional holder at the time shall have the preference, and so on.

9. Exchequer bills bought shall be paid for by drafts on London bankers at five days' date; and the purchasers of exchequer bills shall pay, in addition to the principal sums in the bills, the growing interest, at the rate allowed by the exchequer, up to the date of the drafts falling due in London, and shall furnish stamps for the drafts.

10. Transactions in the purchase and sale of exchange bills may be made on either of the settling days in the week, but they shall be made only in the exchange-room, and solely for the settlement of the exchange; and no private transactions of this kind between bank and bank shall be permitted, so that the number of exchequer bills in the hands of any one party after the exchanges are so settled shall be the number returned on the next exchange day.

11. In the event of any exchange draft being dishonored, without prompt and most satisfactory explanation of the cause, the bank issuing such draft shall be immediately excluded from the clearing-room, and their notes shall be refused in all future transactions with the public.

12. The exchanges shall be made alternately; on Thursdays in the Bank of Scotland, and on Saturdays (with the relative settlement on Mondays) in the Royal Bank; and these banks will undertake to receive from the banks which are debtors, and to pay to the banks which are creditors in the exchanges, the exchequer bills, Bank of England and other notes, and gold, which are passed in payment of the balances; but the Bank of Scotland and the Royal Bank shall not, nor shall either of them, be in any way responsible for the exchange transactions, nor otherwise soever.

13. The clerks of the different banks shall appear in the clearing-room at ten o'clock A. M. on Thursdays and Saturdays, and, before the exchange operations commence, they shall write down, on the board allotted for the purpose, the amount of exchequer bills held by the banks they represent; and after the balances are struck and ascertained on the settling days, they shall mark on the same board the exchequer bills which will be in their hands after the balances are settled by the Bank of Scotland and Royal Bank; and this is to be considered the number on which all transactions in the purchase and sale of exchequer bills for that day shall be founded.

14. After the balances are struck on Thursdays and Mondays, statements of the same shall be conveyed to the respective banks by their own clerks, who shall afterwards attend in the clearing-room, to pay and receive the balances due, at half-past eleven o'clock on Mondays, and at half-past three o'clock on Thursdays, after the vouchers of the balances of the Glasgow exchange of that day are received. These are to be conveyed, by a special messenger, from the Glasgow banks of issue alternately, and to be delivered by him personally at the banks to whom they are addressed in Edinburgh.

15. The British Linen Company having, from a desire to promote the general convenience, consented to forego the advantage they have hitherto enjoyed of making their whole exchanges with banks junior to themselves within their own office, no certified statements of their separate exchanges will henceforth be necessary.

16. The seventh and eighth regulations will tend, in a great degree, to equalize the

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amount of exchequer bills among the different banks; but as it may possibly happen, notwithstanding, from some peculiar state of the exchanges, that exchequer bills may accumulate in the hands of one bank to a considerable amount beyond its quota and two thirds more, without the power of sale to any other bank, according to the above regulations, then that bank, when the amount on hand exceeds fifty-seven, may require the bank holding the fewest number, although not under one third of their quota, to purchase up to their quota, and so on to the next lowest, until the stock of the selling bank shall be reduced to the original quota and two thirds more.

17. The annexed Schedule will be the guide to distinguish the extreme points, in terms of the seventh and eighth regulations, at which sales and purchases of exchequer bills are to proceed.

18. All the exchanging banks shall have free access, at such times as may be convenient, to the record of the exchange transactions.

19. The subscribers, having framed these regulations with the view to keep the circulation of Scotland in a sound state, as well as to give facility in the settlement of their balance of notes issued in the fair way of business, and being of opinion that it is discreditable in a bank of issue to force its notes into circulation, by exchanging them for other notes in the circle, they resolve to check and discourage any such irregular issues by every means in their power.

20. It is further understood and agreed, in consideration of the circulation of each bank (other than what may be issued against gold and silver coin) being fixed and limited, by the Act 8 & 9 Vict. c. 38, that the banks shall bring to the exchange-room regularly, at their head office and agencies, all the exchangeable notes which they receive, and that under no circumstances shall any bank issue the notes of another bank of issue in Scotland without permission first asked and obtained.

21. The parties to this agreement shall be entitled to withdraw from it, and to receive back their exchequer bills at their par value, with accruing interest, on giving three months' notice.

Edinburgh, Feb. 16, 1846.

ALEX. BLAIR, for the Bank of Scotland.

ROBERT SYM WILSON, for the Royal Bank of Scotland.

THO. CORRIE, for the British Linen Company.

ROBERT PAUL, for the Commercial Bank of Scotland.

GEORGE CROSBIE, for the National Bank of Scotland.

SAM'L HAY, Cashier, for the Union Bank of Scotland.

PETER RAMSAY, for the Western Bank of Scotland.

WILLIAM FLEMING, Manager, Edinburgh, for the Clydesdale Bank.

ARCH. BONAR, for the Edinburgh & Glasgow Bank.

ROBERT BELL, for the City of Glasgow Bank.

*VI. — Exchange Banks, and Exchange Companies.**

As these institutions exist only in Scotland, they may fairly be classed among the banks of Scotland. At the period they originated I wrote the following letter to the late Patrick Maxwell Stewart, Esq., M. P. for Renfrewshire, who had asked my opinion on the subject. This letter was afterwards published in the *Railway Herald*.

"In compliance with your request, I will now give you my notions respecting the new Exchange Banks recently formed in Scotland.

1. A division of labor among banking institutions is by no means a new idea. There is scarcely any bank that carries on every branch of the bu-

* *Note by American Publisher.* — Those who are curious as to the system of the Exchange Bank System of Scotland, and the recent failure of these banks, are referred to the Bankers' Magazine, published at Boston, pp. 249-251, and 298-301, in which the able views of the London Atlas and the London Bankers' Magazine are fully given upon this subject.

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siness of banking. The dealing in foreign exchanges, which forms so large a portion of the business of Continental bankers, is quite unknown to English bankers; it is confined to merchants, or to large moneyed houses, like the Messrs. Rothschild. In London, the West-end bankers, as Messrs. Coutts and Messrs. Drummond, do not discount commercial bills, but confine their advances to mortgages, as their connections lie chiefly among the aristocracy; while the city bankers look on mortgages with horror, and make their advances by the discount of bills and short loans on personal security. Loan Banks, or Monts de Pieté, have been in existence for several centuries as a distinct branch of business, and loan societies are now sanctioned with us by Act of Parliament. Some London bankers do not take the agency of country banks, while the agency of colonial and foreign banks is often taken by mercantile houses, who carry on no other part of the business of bankers. I might add to these illustrations, but these are enough to show that division of labor among banking institutions is accordant with every-day practice, and therefore the new exchange banks, in marking out for themselves a particular line of conduct, cannot be charged with any deviation from acknowledged principles.

2. But then comes the question, Is the particular department of banking marked out for themselves by the new exchange banks sufficiently extensive to justify the formation of banks for that particular department, and also sufficiently lucrative to justify the anticipation of profit to the shareholders? With regard to the extent, there can be no doubt that, from the formation of railways, and the multiplication of companies of all sorts, those kinds of securities on which commercial banks do not like to make advances are largely on the increase. It is likely, too, that these exchange banks would attract much business in the way of advances on goods, &c., which is now done by brokers or individual capitalists. With regard to profit, it is well known that loans on the kind of security taken by the exchange banks are always charged a higher rate of interest than commercial bills.

3. One reason for the formation of banks to take up this particular line of business is, that it requires a peculiar kind of knowledge in the manager. He must make himself acquainted with certain points of law connected with shares, with the value of all shares in the market, the history and prospects of each company, the law and practice with regard to bonded goods, and other matters that do not usually come under the notice of the manager of a commercial bank, and the knowledge of which he could not readily acquire and maintain without neglecting other matters of, to him, greater importance.

4. Although the rate of interest obtained by the exchange banks will be higher than what is termed the market rate, yet it will be affected by the market rate, and hence I think an exchange bank cannot yield a high dividend to its shareholders, unless it transacts a large amount of business. The only deductions from the interest received must be the expense of the establishment. Every commercial man knows that a large establishment can be conducted with a less *proportional* expense than a small one. To conduct even a small business with safety, an exchange

bank must have a first rate manager ; but as the business increases, the same manager transacts the increased business, and the chief increased expense is in the number of clerks. In a large bank the expense may form a small proportion to the profits ; in a small bank the expense may equal the profits, or even exceed them. To do a large business, of course an exchange bank must have a large capital.

5. After a while, these exchange banks may obtain funds beyond their own capital. The commercial banks obtain such funds by the issue of notes, the balance of drawing accounts, lodgments on deposits, and the issue of drafts on London and elsewhere. None of these means are adapted for exchange banks, except the lodgments on deposits. After they are better known to the public, perhaps they may be able to receive deposits for three, six, or twelve months certain, on which they may afford to allow higher interest than is allowed by the commercial banks. Possibly some persons may prefer lending to these banks on liberal interest rather than lending on mortgage. Any large extent of this business would, of course, add proportionably to the profits of the bank.

6. I know of no better form of government for an exchange bank than a board of directors and a manager. Commercial banks find a large board useful, as the number of directors exalt the bank in public estimation, and extend its influence, but with an exchange bank a small number of efficient directors would be preferable. But all banks should avoid what are called "managing directors." A manager is selected because he has had a banking education, and has obtained banking experience. Over him are placed two directors, who have had no banking experience. The manager is thus reduced to a clerk, and having neither power nor responsibility, he has no stimulus to exertion. The managing directors being members of the board, their brother directors do not scrutinize their acts so closely as they would the acts of the manager. These other directors thus become ciphers. A bank thus governed resembles a private bank with two partners, with this difference, that the private bankers understand their business, and deal with their own money. The main objects of managing directors are to direct the manager, and to manage the directors. Most of the English joint-stock banks that have gone astray have been either constitutionally or practically governed by managing directors. The great object of the exchange banks should be to manage their affairs prudently ; though a large business is essential to good profit, yet they should not attempt a large business with a small capital. Let them get a large paid-up capital first, and the large business will come of course. The main danger to which they are exposed is, that they may attempt to get on too fast.

7. An obstacle to the progress of these banks is the stamp duties on the transfers of shares. I trust these and all other banks and companies will use their influence to get these duties abolished. In political economy, there is no proposition capable of clearer demonstration than that domestic taxes on the transfer of property are pernicious. Our Government seem to have recognized this principle last session in their spontaneous surrender of the auction duties. There is no more reason in laying a tax upon the sale of railway shares than there would be in laying a tax upon the

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sale of iron and timber. It will be a happy thing if the formation of exchange banks should have the effect of causing these taxes to be repealed.

You will perceive from what I have written that my opinions are in favor of these exchange banks. Presuming they will be well managed (for without good management no bank can succeed), I think they will be found profitable channels for the employment of capital, and after a while may worthily take their place side by side with the other banking establishments of Scotland."

The following extracts, from a letter addressed in March, 1847, by George Kinnear, Esq., the manager of the Glasgow Commercial Exchange Company, to Alexander Blair, Esq., the treasurer of the Bank of Scotland, point out the difference between the business of those companies and that of the Commercial Banks : —

"The advances of exchange companies are all made, irrespective of commercial credit, on the security of shares in joint-stock companies. Although these shares present the most undeniable and complete security, *they do not present what all prudent bankers understand by a legitimate banking security.* Every banker knows that he might as well devote his funds to lending over land as over shares; that when he does so, he in reality *abstracts his funds from banking*, and to that extent loses his banking power; and that, just in proportion as he does so, he must be prepared to give up his commercial business.

"It is this which has induced prudent bankers, not only in Scotland, but everywhere else, to repudiate such transactions as inconsistent with the prosperity of their commercial business. They do occasionally lend a customer over his shares, as they also occasionally lend a customer over the security of his title deeds, but they regard both as equally foreign to their legitimate business, and are well aware that if they practised either for any length of time they would ruin their legitimate commercial trade."

"The Commercial Exchange Company allows interest at 5 per cent. on deposits for six months certain, and repayable at three months' notice. The Bank of Scotland allows interest at 4 per cent. on deposits repayable at call. I may appeal to any respectable banker, bill broker, or money dealer of any kind, if a difference of one per cent. per annum is too much between money for nine months certain, and money at a moment's notice? I maintain that it is not; and that the extra one per cent. which we pay is justly due on account of the superior character of the article which we receive."

"The whole of the money lent by the Commercial Exchange Company is at the rate of 6½ per cent. per annum, and is lent for six months at a time. On all six months' paper the Bank of Scotland charge 6 per cent., so that the Commercial Exchange charge only one half per cent. more than the Bank of Scotland. Nor is this half per cent. charged for nothing; as the bank has no trouble in taking bills at six months, while the Exchange Company has the trouble and risk of taking over securities, and of renewing and changing them for the parties as they may desire."

"The Exchange Company allows 5 per cent. for money, and charge 6½ per cent., making a fixed difference in favor of the company of 1½ per cent. The Bank of Scotland allows on current accounts 3½ per cent., on deposit receipts 4 per cent., and charges on bills under four months 5 per cent., and above four months 6 per cent.; making a difference in favor of the bank varying from one per cent. up to 2½ per cent."

"The directors of the Commercial Exchange Company have allowed to the public 5 per cent. on money deposited with them; and they have done so, although the Bank of Scotland and the Royal Bank only allow 4 per cent."

"If money, repayable on demand, be worth to these banks 4 per cent., it follows as a matter of course, that money for six months certain, and repayable at three months' notice, ought to be worth 5 per cent."

"I beg of you to recollect what class of people it is who are the great majority of depositors. Mostly persons incapable of working, — maiden ladies, widows, and orphans, — people incapable of making the most of their money for themselves, — nay,

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most of them, either from their sex or their ignorance of business, hardly capable of judging where their money is safe.

"It is a very great pleasure to me to know that the establishment of the exchange companies has been of great service to this class of persons. Hundreds of persons of moderate means have had their comforts increased, by the increased interest they thus derive from the money, on the produce of which they are obliged to live; and I rejoice to believe, that thousands will yet enjoy similar benefits."

"The exchange companies no more compete with banks than do the river trusts, harbour trusts, railway companies, road trusts, and other public undertakings, who borrow money for lengthened periods. There is, in fact, no possible room for jealousy or competition between banks and exchange companies, for there is no business undertaken by the one which could be accepted of by the other with any safety or propriety. You will yourself acknowledge that the Bank of Scotland could not afford to receive money on deposit for nine months certain at 5 per cent.; and I assure you the Commercial Exchange Company could not afford to give 4 per cent. for money at call."

"We do not, in the smallest degree, injure or interfere with the prosperity of commercial banking; on the contrary, the establishment of exchange companies must have given a very acceptable apology to prudent bankers for declining to make advances to their customers on securities, which (although quite good in themselves) are as foreign to prudent banking as advancing money on mortgage over land."

"What you call evils are in fact great public benefits. First, by conferring substantial advantages on a certain class of depositors; and secondly, by enabling the internal improvements of the country to be carried out with an ease and rapidity which could not otherwise be attained."

The Exchange Banks and Companies that have been formed in Scotland are the following:—

1. The Exchange Bank of Scotland, at Edinburgh.
2. The Commercial Exchange Company, at Glasgow.
3. The Union Exchange Company, at Glasgow.
4. The National Exchange Company, at Glasgow.
5. The Glasgow Exchange Company, at Glasgow.
6. The West of Glasgow Exchange Company, at Glasgow.

1. The Exchange Bank of Scotland. — This bank has a charter under Sir Robert Peel's Act of 1845. Its paid up capital is £350,000, and it has about £400,000 deposits. It cannot issue notes. In making payments it issues the notes of the City of Glasgow Bank. It has paid a dividend of 6 per cent.

2. The Commercial Exchange Company. — This bank has no charter. It was established before the passing of the Act of 1845, but not registered until after the passing of the Act. It has since registered, and hence the directors consider that they are entitled to carry on business as a bank without a charter. The extracts we have made from the pamphlet of Mr. Kinnear, the manager of this bank, will show the principles on which it is conducted.

3. The Union Exchange Company of Glasgow, does not profess to be a bank at all, and hence avoids the question of a charter. At a special general meeting of shareholders, held in November, 1846, it was resolved "that the word 'banking' be omitted from the name or firm of the Company, as prescribed by the first article of the contract of copartnership, and from the description of companies referred to in the third article of said contract; and that a special declaration be added to the said third clause of the said contract, that it has not been, and does not form any part of

Scotch Exchange Banks.

the business of the company to make advances simply on personal security, unaccompanied by the collateral security of real or personal property." Its paid-up capital is about £250,000, on which it has paid a dividend of $7\frac{1}{2}$ per cent.

4. The National Exchange Company. — This company has been very unsuccessful. It commenced in the year 1845, and got into difficulties at the end of 1847. Their first paid up capital was £210,790. They have since made a call of £2 a share more, on 57,000 shares, to enable them to meet their liabilities.

5. The Glasgow Exchange Company began business in 1847, and wound up creditably in 1848, returning to their shareholders 4s. per share more than they had paid up.

6. The West of Scotland Exchange Investment Company is winding up its affairs, and is expected to return to its shareholders nearly the whole of its paid-up capital, — about £120,000.

The losses that have fallen upon exchange companies seem to have arisen mainly from the great reduction that has taken place in the price of railway shares. The following observations of the directors of the Glasgow Exchange Company, with reference to the prosecution of their business, appear very just and impartial : —

"The directors will first state the negative view of the question. From the nature of the transactions which form the general business of exchange companies, their success depends chiefly upon a high state of the prosperity of the country, and particularly of railway enterprise. The main object of nearly all who enter into such transactions is to realize the benefits of an expected augmentation of the value of the stock ; the business, therefore, is necessarily attended with risk, and though that risk may be guarded by what appears an ample margin, recent experience has shown that this has not been a sufficient precaution.

"The directors' short experience may not give much weight to their opinion ; but it appears to them to be essential to the profitable management of the company's business, that it should possess, in addition to its own capital, a considerable amount of money in loans from the public. The employment of such money is the chief source of the profit of banking companies, and this advantage is still more required by exchange companies. To command a share of such loans, this company must possess the confidence of the public : what might tend to infuse this confidence would be a large paid-up capital ; but although this would be quite requisite, if the business is to be carried on, yet it is doubtful how far it would remove the strong prejudice which has taken possession of the public mind against exchange companies, — a prejudice which is a good deal mixed up with the injurious effects to individual fortunes which recent bankruptcies have disclosed, as arising out of transactions with exchange companies.

"The directors will now state what has occurred to them in favor of prosecuting the business.

"The magnitude of railway stock in this country is so great, that it may be fairly concluded it will always form a subject of extensive dealings, and that, therefore, there will always be a large field on which business may be cultivated. In ordinary times, the risks attending the business of the company would not be much ; and it is not to be expected that a period such as has just been passed, distinguished by extraordinary vicissitudes in the value of public securities, will often occur.

"The prejudice which exists against such companies at present, time may remove, for it does not appear to the directors that the grounds of that prejudice rest on any principle that would not apply to any other joint-stock company ; but it is not to be concealed that the existence of this prejudice will be an obstacle, for a time, to the facility of increasing the paid-up capital, and the increase of loans from the public, — both essential to the profitable results of the business."

SECTION VII.—THE BANKS OF IRELAND.

THE last Act of Parliament for regulating banks in Ireland is the 8 & 9 Viet. cap. 37, passed in the year 1845.

This Act recites that by the Act 21 & 22 Geo. III. an act was passed for establishing a bank by the name of the Governor and Company of the Bank of Ireland; and which prohibited any other company consisting of more than six persons to issue notes payable on demand or within any time less than six months. That by the Act 1 & 2 Geo. IV. cap. 72, other companies consisting of more than six partners might issue notes payable on demand, at a greater distance than fifty miles (Irish) from London. And that by 6 Geo. IV. cap. 42, and 1 Wm. IV. cap. 32, such co-partnerships of bankers might transact certain matters of business by agents in Dublin, including the payment though not the issue of notes.

The Act further recites that the Bank of Ireland had at various times advanced for the public service, the several sums of £ 600,000, £ 500,000 and £ 1,250,000 late Irish currency; and that by the 48 Geo. III. cap. 103, the charter of the Bank of Ireland was extended to the first day of January, 1837,—upon twelve months' notice to be published in the *Dublin Gazette*, and after the repayment of the above-mentioned sums. And that by the Act 1 & 2 Geo. IV. cap. 72, the Bank of Ireland had agreed to advance a further sum of £ 500,000, and the bank was empowered to enlarge their capital to £ 3,000,000; making the total advances £ 2,850,000 late Irish currency, equal to £ 2,630,769 4s. 8d. sterling money of the United Kingdom of Great Britain and Ireland; on which, by the Act 3 & 4 Viet. c. 75, the bank received an annuity from the Government of £ 115,384 12s. 4d. sterling, payable on the 5th of January and 5th of July in each year, redeemable upon six months' notice, to be given after January 1st, 1841, and after payment of the above-mentioned sums.

The Act further recites, that the above annuity of £ 115,384 12s. 4d. has, with the consent of the said governor and company, been reduced to £ 92,076 18s. 5d., being at the rate of 3½ per cent. per annum on the capital sum of £ 2,630,769 4s. 8d., which capital sum shall not be repaid until the expiration of six months' notice, to be given after January 1st, 1855; and that, during such term, the said governor and company shall manage the public debt free of all charge. The company is to continue a corporation, for the purpose of carrying on the business of banking, but not to have any exclusive privileges. The charter to continue until the expiration of twelve months' notice to be given, and published in the *Dublin Gazette*, after January 1st, 1855, and upon repayment of the sums due from the Government to the bank.

The Act removes, from the 6th day of December, 1845, all restrictions upon banks having more than six partners issuing notes and carrying on business in Dublin, and within fifty miles thereof. But no banker shall issue any larger amount of notes than the average amount he had in circulation during the year ending the first day of May, 1845, (which amount shall be certified by the Commissioners of Stamps,) and the

The Banks of Ireland.

amount of gold and silver coin he may have in his hands, in the proportion of not more than one fourth of silver to that of gold.

In case two banks should unite, the new bank to have the power of issue to the amount of both the united banks. Any bank may arrange with the Bank of Ireland to give up its issue; and in that case the Bank of Ireland may increase its issue to that amount. But the bank that thus contracts shall not afterwards resume its issue. All notes for a fractional part of a pound are prohibited. Each bank issuing notes is required to send to the Stamp-office weekly returns, stating the amount of notes in circulation on each Saturday, distinguishing those below £ 5; and also the amount of gold and silver coin held at each of the head offices or principal places of issue in Ireland. And from these returns the Commissioners of Stamps and Taxes shall make a monthly return, which shall be published in the *Dublin Gazette*. This monthly average must not exceed the amount certified by the commissioners and the amount of gold and silver on hand.

All banks are required to send a list of their shareholders to the Stamp-office, every year, between the 1st and the 15th of January, to be published in the *Dublin Gazette* before the first day of the succeeding March. All banks, whether they issue notes or not, are entitled to sue and be sued in the name of their public registered officer.

Upon the Act of 1845, for the Regulation of Banks in Ireland, we may observe: —

1. The authorized issue is like that of the banks of Scotland, the average amount of the year ending on the 1st day of May, 1845.

2. If any two banks unite, the new bank may issue to the amount of the circulation of both the united banks. Here the law is the same as that of Scotland, but different from that of England.

3. If any bank gives up its issue, and agrees to issue Bank of Ireland notes, the Bank of Ireland may increase her authorized issue to the full amount of the issue of the bank whose notes are withdrawn. In England, the Bank of England can, in a similar case, issue only to the extent of two thirds of the issue of the bank whose notes are withdrawn. There is no similar provision in the Act referring to Scotland.

4. Another difference may be noticed between Ireland and Scotland. All the notes issued at the branch banks in Scotland are payable only at the head office of the bank that issued them. In Ireland all the notes are legally demandable in gold at the branches where they have been issued. Hence the banks in Ireland must keep some gold at every branch, while the banks in Scotland need not have any gold except at the head office. In both countries, the banks must hold a stock of gold equal to the amount of notes in circulation beyond the authorized issue: and, according to the Act, this gold must be at the head office, or chief place of issue. The gold held at the branches, however necessary for business purposes, is not taken into account in the returns to the Stamp-office. The banks, indeed, return the whole amount of the gold in their possession; and it is this which is published in the newspapers. But the amount held against the excess of authorized issue must be held at the chief office, or other chief places of issue. In the Provincial Bank of Ireland these places are

Cork, Limerick, Dublin, and Belfast. They are desirous of having in addition, Waterford and Sligo. (*Mr. Murray's Evidence, Lords, 4279.*)

The banking institutions of Dublin are the Bank of Ireland, which is a chartered bank, like the Bank of England. It is the Government bank. It issues notes, and has branches in the principal towns throughout Ireland. It has now no exclusive privileges.

The Provincial Bank of Ireland, and the National Bank of Ireland. These are joint-stock banks that issue notes, and have numerous branches. These two banks are governed by boards of directors, who meet in London.

The Hibernian Bank, and the Royal Bank of Ireland. These are joint-stock banks, that do not issue notes, and have no branches, except that the Hibernian Bank has a branch at Drogheda.

The private banks of Messrs. La Touche & Co., Messrs. Ball & Co., and Messrs. Boyle, Low, Pim, & Co.

There are three joint-stock banks at Belfast, all of which issue notes and have branches. They are the Northern Bank, the Belfast Bank, and the Ulster Bank.

There is also a joint-stock bank at Tipperary, which does not issue notes, but has several branches.

The Bank of Ireland.

In tracing the history of banking we may observe that most public banks have been formed, in the first instance, under the protection of the Government of the state in which they were established. Such was the case with the banks of Venice, Genoa, and Amsterdam; and such, too, was the case with the banks of England, of Scotland, and of Ireland. The former were closely connected with the state, and may properly be called "State Banks"; the latter had peculiar privileges bestowed by charter, and are usually called "Chartered Banks." These privileges may be divided into two classes, those which refer to the proprietors themselves, and those which refer to other parties. The privileges of the first class relate to the amount of capital, the form of government, the number of the directors, and the mode of their nomination, the meeting of the proprietors, and the specification of the branches of business the bank are allowed to carry on. The privileges of the second class refer to the restricted liability of the shareholders, and the prohibition of other parties carrying on the same business.

If the charters granted to banking companies referred only to the first class of privileges, they would be liable to but little objection. In the infancy of commerce and of banking, the assistance of the government may with propriety be granted to encourage the formation of institutions, so eminently calculated to promote the public advantage. But of what avail are prohibitory clauses? If no other persons are disposed to form similar institutions, then those prohibitions are a nullity. But if other parties are disposed to form similar companies, without the assistance of the Government, then why should the Government interfere at all? Why should they grant a charter to effect an object which can be effected without their assistance?

The Bank of Ireland.

In the charter first granted to the Bank of England in 1694, there was no prohibitory clause. But when the charter was renewed in 1708, it was enacted that no other company formed of more than six persons should carry on the business of banking in England. The charter granted to the Bank of Scotland, in 1695, contained the following prohibition, — “That for the period of twenty-one years from the 17th of July 1695, it should not be lawful for any other persons to set up a distinct company or bank within the kingdom of Scotland.” This privilege was not renewed after the expiration of the twenty-one years; and in the year 1727, a charter, without any prohibitions, was also granted to the Royal Bank of Scotland. In the year 1746, the British Linen Company was formed, and carried on the business of banking as a joint-stock company. Subsequently this bank also obtained a charter, but without any exclusive privilege. Hence Scotland has had the advantage of chartered banks, and joint-stock banks, and private banks, all working well together without producing those effects which in this country have followed the prohibitory clauses of the charter of the Bank of England.

Both in its constitution and government the Bank of Ireland closely imitated the Bank of England; and it has produced in Ireland most of the advantages and evils which that establishment has produced in this country. It has supplied the country with a currency of undoubted solidity; it has supported public credit, it has granted facilities to trade, and it has assisted the financial operations of the Government. On the other hand, its prohibitory clause necessarily led to the formation of many private banks, whose failure was the cause of immense wretchedness to all classes of the population.

The charter of the Bank of Ireland contained a clause, which prevented more than six persons forming themselves into a company to carry on the business of banking in Ireland. In the year 1824, they surrendered this exclusive privilege, as far as regard those places which are situated at a greater distance than fifty Irish miles from Dublin; and in 1826, the Bank of England made a similar surrender, with regard to places at a greater distance than sixty-five miles from London. As eleven Irish miles are equal to fourteen English miles, fifty Irish miles are equal to about sixty-five English miles. But it must be observed, that Dublin is situated on the sea-coast, therefore, the Bank of Ireland had only the monopoly of a semicircle, whose radius is fifty Irish miles. But London, being situated inland, the Bank of England had the monopoly of a whole circle of 130 English miles in diameter.

The Bank of Ireland was established by an Act of Parliament passed in 1782, 21 & 22 Geo. III. cap. 16. The following are the provisions of this Act: —

The capital was £ 600,000, which was lent to Government at 4 per cent. No one person was permitted to subscribe more than £ 10,000. If the bank incurred debts to a greater amount than their capital, the subscribers were answerable in their private capacity to the creditors in proportion to their subscriptions. The bank were not either to borrow or to lend money at a higher interest than 5 per cent., nor to engage in any business but banking. The stock to be transferable, and deemed

personal estate, and as such to go to the executors of the holders, and not to their heirs. No transfer of bank stock to be valid, unless registered in the bank books, in seven days from the contract, and actually transferred in fourteen days; the charter to expire at twelve months' notice after the 1st day of January, 1794, and repayment of all sums due by the Government to the bank.

The charter is dated May 15, 1783, and contains as follows:—Such persons as should subscribe before January 1, 1784, the sum of £ 600,000 were to be formed into a corporation, to be styled the Governor and Company of the Bank of Ireland; the corporation were to have a governor, deputy-governor, and fifteen directors; which governor, deputy-governor, and directors, or any eight or more of them, shall be called a Court of Directors, for the management of the affairs of the corporation.

Fifteen directors shall be chosen annually, between March 25 and April 25 in each year, and not above two thirds of the directors of the preceding year to be reelected.

The notice for the meeting of general courts of proprietors to be affixed upon the Royal Exchange in Dublin at least two days before the time of meeting. The qualification for a voter at a general court shall be £ 500 stock, to be held for six months preceding, unless it came by will, marriage, &c. The qualification for Governor shall be £ 4,000 stock, and for deputy-governor £ 3,000, and for director £ 2,000.

No dividend shall at any time be made by the said governor and company, save only out of the interest, profit, or produce, arising by or out of the said capital, stock or fund, or by such dealing, buying, or selling, as is allowed by the said Act of Parliament; nor without the consent of the members of the said corporation, in a general court qualified to vote as aforesaid.

The governor or deputy-governor shall summon four general courts at least in every year. One in the month of September, one in December, one in April, and another in July.

The governor or deputy-governor shall also summon a general court, whenever requested to do so by nine members, each holding £ 500 stock.

If governor and deputy-governor be absent one hour after the usual time of proceeding, at any general court or court of directors, a chairman shall be chosen for that time only, who shall have like privileges as the governor or deputy-governor.

Governor, deputy-governor, or chairman, not to vote in general courts, or court of directors, save when there shall happen to be an equal number of votes on each side.

The Bank of Ireland commenced business at St. Mary's Abbey, June 25, 1783. After the Union, its office was removed to the Parliament House.

In the year 1821, the capital of the Bank of Ireland was increased from £ 2,500,000 to £ 3,000,000 Irish currency. The additional £ 500,000 was taken from the bank's surplus fund, and lent to the Government at 4 per cent., to be repaid by the 1st of January, 1838. The increased capital was divided among the proprietors, at the rate of £ 20 for every £ 100 they possessed. In consideration of this increase of capital, the bank

The Bank of Ireland.

consented to a clause in this Act, whereby persons in partnership, residing fifty miles from Dublin, might carry on the business of banking, although such partnership might consist of more than six partners; but that such partnership should possess no other privilege than being allowed to sue and be sued in the name of a public officer, should Parliament hereafter think fit to grant such a power. This privilege was of little practical use, for, according to the construction put upon the Act, it required that all the partners in these banks should reside in Ireland.

In this year an Act was passed (5 Geo. IV. cap. 73) "to relieve bankers in Ireland from certain restraints imposed by the provisions of the 29 Geo. II., and to render all and each of the members of certain copartnerships of bankers, which may be established, liable to the engagements of such copartnerships, and to enable such copartnerships to sue and be sued in the name of their public officer."

Those clauses in the former Act that required the names of all the partners to be subscribed to the notes, and which prohibited bankers being traders, are by this Act repealed. Banking partnerships exceeding six persons, and carrying on business at any place beyond fifty miles from Dublin, shall be registered at the Stamp-office, Dublin; and also the names of the public officers, in whose name such partnerships sue and are sued. The names of those public officers were also required to be subscribed to all notes and receipts issued by the company. Judgments against the public officers to operate as judgment against the partnership, and execution upon judgment may be issued against any member of the society, and the public officer to be saved harmless.

In the year 1825 was passed the "Act for the better regulation of copartnerships of certain bankers in Ireland." It was obtained by the directors of the Provincial Bank of Ireland, as the Acts previously granted did not furnish the facilities which the Provincial Bank required for the beneficial exercise of its operations. It confirmed the permission granted by former Acts to establish joint-stock banks at a greater distance than fifty miles from Dublin, and permitted persons resident in Great Britain to become shareholders in such banks. The banks were required to register at the Stamp-office in Dublin an account of the names of the firms, the several partners therein, and the public officers thereof. The partnerships shall sue and be sued in the name of their public officers. Parties obtaining judgments in Ireland may authorize the acknowledgment of like judgment in Great Britain; and, in like manner, parties obtaining judgment in Great Britain may proceed thereon in Ireland. Judgments against public officers shall operate against the society, and execution upon judgment may be issued against any member of the co-partnership. All transfer of shares must be registered at the Stamp-office.

In this year, too, an Act of Parliament was passed to assimilate the currency of Ireland to that of England. It is entitled, "An Act to provide for the assimilation of the currency and moneys of account throughout the United Kingdom of Great Britain and Ireland." (6 Geo. IV. cap. 79.) The Act recites, that the pound sterling in Great Britain and Ireland respectively is divided into twenty shillings, and the shilling into twelve pence; but the silver coin which represents a shilling in Great

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Britain is paid and accepted in Ireland for thirteen pence, and the pound sterling of Great Britain is, at the par of exchange, paid and accepted for one pound one shilling and eight pence of the currency of Ireland; and that great complexity of accounts, and other inconveniences, arise from the said difference of currencies. It then enacts, that the currency of Great Britain shall be the currency of the United Kingdom, and all receipts, payments, contracts, and dealings, shall be made in such currency. And all contracts, debts, &c., made or contracted previous to the commencement of this Act shall be carried into effect, and satisfied by payment in British currency of 12-13ths of the amount according to Irish currency. All duties and public revenues, and all funds and public debts, shall be estimated in British currency, and the accounts thereof kept accordingly. After a day to be named by proclamation, British silver and gold coins shall be current in Ireland at the same rate of pence as in Great Britain. On the like proclamation, Irish copper coin shall be brought into the Bank of Ireland, and exchanged there for British copper coin, at the rate of twelve pence British for thirteen pence Irish, and the Irish copper coin shall cease to circulate. Bankers' notes shall be made payable in British currency. No notes payable in Irish currency shall be re-issued after the commencement of this Act, under a penalty of £ 50 for each offence. Bankers may deliver into the Stamp-office re-issuable notes, payable in Irish currency, and receive in lieu thereof new stamps to the whole amount of the stamps delivered up, if dated within one year previous, or three fourths if within two years, and one half if within three years. This Act came into operation on the 5th day of January, 1826.

Very ample returns of the state of the Bank of Ireland are published in the Appendix attached to the Reports of the Parliamentary Committees. The following is that of the latest date :—

12TH FEBRUARY, 1848.					
Circulation:—	£	£	Securities:—	£	£
£ 5 and above, . . .	1,867,300		Public, . . .		3,735,800
Under, . . .	1,232,900		Private, viz.		
		3,100,200	Notes and Bills		
Deposits:—			discounted, . . .	2,605,400	
Public, . . .	1,336,600		All other Private		
Private and Sun-			Securities, . . .	536,900	
dry Balances, . . .	2,160,500				3,142,300
		3,497,100	Specie, . . .		808,500
		6,597,300			7,686,600

This account includes the bank and the branches. The circulation of the branches was :— £ 5 and above, £ 769,800; under £ 5, £ 855,500; making a total of £ 1,625,300. The deposits at the branches amounted to £ 564,800, and the bills under discount to £ 1,852,000.

The Bank of Ireland has branches at the following places :—

Armagh,	Drogheda,	Longford,	Tullamore,
Ballinasloe,	Dundalk,	Maryborough,	Waterford,
Belfast,	Galway,	New Ross,	Westport,
Carlow,	Kilkenny,	Newry,	Wexford,
Clonmel,	Limerick,	Sligo,	Youghal.
Cork,	Londonderry,	Tralee,	

The Provincial Bank.

The Provincial Bank of Ireland.

Public banks may be divided into three classes: first, Chartered Banks, those which have received a charter from the crown; secondly, Joint-stock Banks, formed under the common law; and, thirdly, Joint-stock Banks, formed under the statute law.

The common law of England allowed any number of persons to form themselves into a partnership to carry on banking. At the same time, it presented this inconvenience in the formation of such partnerships,—in all actions at law, it was necessary to state the names of all the individuals who composed the company. Another inconvenience of partnerships formed under the common law was, that all the partners were answerable for the debts of the company, to the full extent of their property, not only while they were partners, but after they had ceased to be partners, as far as regards any transactions that took place during the continuance of their partnership. The banks avoided these inconveniences, in the first place, by conducting their business in the names of trustees, in the same way as some of the insurance companies; and in the second place, by inserting a clause in the deed of settlement, that in case the bank should lose one third or one fourth the amount of its paid-up capital, it should immediately be dissolved.

The statutes 6 Geo. IV. c. 42, with reference to Ireland, and 7 Geo. IV. c. 46, with reference to England, not only repealed those Acts of Parliament which prohibited the formation of banking companies having more than six partners, but they also removed the inconveniences of the common law. It was enacted, that it should no longer be necessary, in legal actions, that the names of all the partners should be placed upon the record; but that the company should register at the Stamp-office the name of some one person in whose name they wished to sue and be sued. Any party who had a disputed claim upon the company must sue this public officer, and when he had obtained a verdict in his favor, he might issue judgment against all the partners, in the same way as though he had obtained a verdict against them all. And, that he might have no difficulty in ascertaining who were or were not partners, it was required that the names of all the partners should be annually registered at the Stamp-office. The statute law also obviated the second inconvenience of the common law, by enacting that every partner, as soon as he had transferred his share, should be released from all liability as to the subsequent act of the company, and at the end of three years he was no longer liable for any acts that took place even at the time he was a partner.

The Provincial Bank of Ireland was formed under the statute of 6 Geo. IV. c. 42. Few banks have in so short a time advanced to so high a degree of prosperity. The circumstances of Ireland at that period were friendly to the growth of such an establishment. The recent abolition of the union duties, and the introduction of steamboats, had given a stimulus to the trade between the two countries, while nearly all the banks in the south of Ireland had been swept as by a whirlwind from the face of the land. The operations of the bank were also facilitated by the assimilation of the currency, and the measures taken by the Government and

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the Bank of Ireland to prevent these fluctuations in the exchanges which had previously existed. But the prosperity of this bank must be attributed chiefly to the wisdom and prudence manifested in its constitution and in its subsequent government. The capital was raised chiefly in England, and London was, consequently, made the seat of government. The board of directors was composed of merchants and statesmen, and the latter were taken from the leading men of the two parties into which Ireland was then divided. The local government of the respective branches in Ireland was composed of directors possessing local knowledge and influence, and of managers selected for their experience in banking, and the manager had a veto upon the decision of the board. An inspector was appointed to visit the branches, and to report to the London office.

At the same time, the bank had considerable difficulties to contend against. Property in Ireland was considered insecure; political and religious feelings often interfered with matters of business; the habits of the people were not commercial; and the country had suffered so severely from private banking, that confidence was not easily acquired for a new company, the members and constitution of which were but imperfectly known. Before these difficulties had been completely overcome, the bank became involved in a competition with branches of the Bank of Ireland, and exposed to sudden demands for gold arising out of political events.

The object of the bank is thus stated in the original prospectus:—

“The bank to have a capital of £2,000,000, if necessary, subscribed in shares of £100 each. To have a board of directors in London, and establishments for business in the principal towns of Ireland which are distant above fifty miles from Dublin. At each of these places, a part of its stock to be subscribed, and from the stockholders a local board of directors to be chosen. The establishments to be managed by steady, experienced persons sent from England, with the advice and under the inspection of the local directors, but subject to the entire control of the London board, to whom accounts shall be regularly transmitted.”

The first report, delivered by the directors to the shareholders in May, 1826, stated that the bank had the following nine branches:—

	<i>Opened.</i>		<i>Opened.</i>
Cork,	Sept. 1, 1825	Wexford,	Feb. 27, 1826
Limerick,	Nov. 1, 1825	Belfast,	Mar. 1, 1826
Clonmel,	Nov. 15, 1825	Waterford,	May 1, 1826
Londonderry,	Dec. 12, 1825	Galway,	May 1, 1826
Sligo,	Feb. 20, 1826		

The state of banking in Ireland at the time the Provincial Bank was formed is thus described in their Eleventh Annual Report, delivered in May, 1836:—

“To show the progress of that competition, it may be sufficient to state, that prior to 1825, when the Act 6 Geo. IV. c. 42 was passed, under which the Provincial Bank was established, the Bank of Ireland had no establishment out of Dublin.

“That in Dublin itself there were only four more, and these private banks; and that in all Ireland besides there were no other than private banks, and these only in Belfast, Cork, Wexford, and Malloy.

“From 1825 to 1834, banking offices in the chief cities and towns of Ireland had

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been gradually established by the Provincial Bank, the Bank of Ireland, the Northern and the Belfast Banks, to the number of about fifty; while, within the short space of the last two years, the offices of joint-stock banks having resident managers or agents beyond fifty miles from Dublin, added to the branches of the Bank of Ireland, have increased to upwards of 120, and appear to be daily augmenting in number; besides which, there are a great variety of stations attended on market-days by non-resident agents, on behalf of one or other of such banks; and, in addition to all these, several establishments, on a large scale, have been lately announced in Dublin as in connection with some of the joint-stock banks most recently formed in the provinces.

"The directors cannot, however, regard this unexampled rapidity of increase in the number of banks as a certain indication of prosperity. Amidst the excitement arising out of this state of things, they have considered it to be their duty to impress upon all their local directors and managers the necessity of increased caution and vigilance, and to warn them of the extreme danger of entering upon a race of competition, in which those who engage in it are too apt to overlook what is essential to their own safety."

There is no joint-stock bank of whose rise and progress we have a more detailed account than the Provincial Bank of Ireland. This account is furnished to us in the evidence given to a Committee of the House of Commons, by the late secretary, Mr. James Marshall. We recommend the following quotations to the especial consideration of students in practical banking, as showing most minutely the various steps by which prosperity is obtained by banking institutions:—

1.—The Constitution of the Provincial Bank of Ireland.

"Can you explain to the committee the constitution of the Provincial Bank?—I can. I may make reference to the annual reports of the institution, of which, I understand, copies were furnished to this committee; a report is made to the proprietors on the third Thursday of May in each year.

"By whom is that report prepared?—By a special committee.

"A committee of the board of directors?—A committee of the board of directors, whom it is my duty to attend on such occasions, and to be their organ in acting as the clerk of that committee.

"When that sub-committee has prepared the report, what further step is then taken? It is submitted then to the general court of directors.

"Is it examined by them?—By the general court; it is laid before them, and every part of it is explained to them; and they have it in their power to examine any part, to refer instantly to the books, or the source from which it is drawn. The committee in making it up go very minutely to work, and examine very particularly.

"Then are the committee to understand, that before the report is laid before the proprietors, that report is first submitted to a select committee, reported by them to the general court, and approved of by the general court?—It is; it is, in the first instance, signed by the chairman of the committee, when presented to the general court.

"When laid before the proprietors, is it laid before the proprietors on the responsibility of the court of directors?—Completely so."

"Just confine yourself at present to the constitution of the bank. 'It may be here proper to state, for the information of the proprietors, the regulations which have been adopted, in the first place, for conducting business in a proper manner at the branches: and, secondly, for the control and superintendence which are exercised over them by the directors in London. First, as to the branches; for the due management of the business at each a suitable house has been obtained, and the following officers have been provided; viz. manager, accountant, teller, clerk, porter; all of whom find security for their fidelity. Where the scale of business requires it, the number of the inferior officers is increased, but there are only two principal officers at any branch, viz. manager and accountant; and for securing more effectually the proper discharge of the duties of all, and assisting the manager with advice and information, there has been appointed at each station a board of local directors, consisting, according to circumstances, of three, four, or five gentlemen of the first respectability in the place,

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who, in order to be eligible, must themselves have an interest in the establishment, by holding ten shares each of its stock. The duty of these gentlemen is to meet daily at a given hour at the bank's office, and, along with the manager, to judge of bills presented for discount, and of all applications for credits. For every act of business of this nature it is necessary that two local directors and the manager be present; and it is provided, that where applications for discounts or credits exceed, in individual cases, a certain fixed amount, or when the manager differs in opinion from the majority of the local board, the matter must be submitted to the decision of the court of directors in London. It is further the duty of the local directors to compare daily the vouchers with the entries in the cash-book, to count, at stated intervals, the cash in charge of the manager, and to certify the returns made periodically from the branch to London.

"Are the committee then to understand distinctly that the local directors, in the case in which the manager, who is the head officer of the society, differs with them, although he may differ singly, are bound to refer those cases to the London board before any decision is come to? — In every case.

"In another contingency it would appear, that where the pecuniary transactions in question exceeded a given amount, that too, although the board might be unanimous, is brought under the consideration of the London board of directors? — It is.

"What does that sum generally amount to? Is it a fixed sum, or does it vary according to the circumstances of the different branches? — It has varied according to circumstances; but, generally speaking, from £300 to £500 is considered the extent to which any thing in the shape of a credit, other than the discount of a mercantile bill, would go."

2. — The Selection of Officers.

"Be so good as to explain to the committee what steps were taken by the Provincial Bank of Ireland in the selection of their various paid officers at the branches? — I believe that is detailed in this said report. 'The selection of officers in particular was a matter of paramount importance, both on account of the great number required to fill the intended situations in Ireland, and the necessity there was to scrutinize their qualifications as to character and ability. Communications were made on this subject with various gentlemen in different parts of the country, from whom it was expected the best information could be obtained. The prospectus of the society having set out with the resolution that the business should be conducted on the principles which had been so long and so successfully acted upon in Scotland, it seemed desirable to obtain from that country persons trained up in banks there, provided their qualifications in other respects were such as to recommend them. With this view, the secretary' (that was not myself at that time) 'was sent down to Edinburgh in February for the purpose of making inquiries; and notice having been given in the public papers that persons were wanted to fill situations in the projected establishments in Ireland, a gentleman in the above city was employed to receive applications and to institute the most minute and scrupulous inquiries regarding the character and qualification of those who should apply. Another gentleman from the same city was also engaged to proceed to London, to assist the directors in the formation and prosecution of a plan for conducting the business, when they should be ready to commence it in Ireland' (that alludes to myself). 'The extensive correspondence which the applications and inquiries, produced by the measures above mentioned, necessarily occasioned, occupied the attention of the directors very closely, and for a considerable length of time, and the result has been that the services of a number of most valuable officers have been secured to the society.'

"But at that period was there a greater facility in procuring the services of gentlemen more particularly who had experience in the Scotch banking than there would be subsequently, when there was a more active competition in the establishment of banks? — No doubt of it.

"What description of security were these officers required to give? — Unexceptionable personal security; two persons, at least, generally were joined in a bond for the fidelity of the officer.

"Was there any fixed proportion between the amount of the security required and of the salary paid, or the duties to be performed? — The amount had respect to the duties to be performed rather than to the salary.

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"What was the general security that was taken by bond for the fidelity of these officers? — The lowest clerk was £1,000; the highest £10,000 for a manager at the largest branch.

"And that has been enforced by the Provincial Bank with respect to its officers? The amount of £10,000 has not been required, as we have practically found £5,000 to be a more commandable sum; I would say, within the reach of the description of parties who are aspirants to these offices.

"Now with respect to the local directors, how were they selected? — It is mentioned here, that there should be selected three, four, or five gentleman of the first respectability in the place, of commercial knowledge, whenever those could be obtained; if having had that commercial knowledge, and being disengaged from business, they were considered as so much the more eligible.

"But in the selection of local directors, so far from excluding persons by reason of their having commercial or banking knowledge, are the committee to understand that such parties were preferred? — Where they had it, and were not understood to be in a situation to require banking accommodation for themselves.

"You have stated that the local directors were required to take ten shares each, at the least? — Yes.

"Will you have the goodness to state what the reason was that they were required to take those shares? — In order that they might have a greater interest in the establishment; feel a personal interest. I must say we have not, in every instance, been able to get gentlemen of that description. We have, in some instances, appointed gentlemen who, from various causes, declined to become shareholders; at least, we have elected gentlemen to be local directors without requiring the fulfilment of that condition: there are some instances at present of gentlemen who are so; but no doubts regarding the solvency of the bank ever deterred any of them."

3. — The Choice of Directors.

"Now tell us how they are appointed? — The directors in London were, of course, originally appointed by the gentlemen who associated together for the purpose of forming this establishment; and they continued, with the approbation of the meeting, until a certain time, when by the deed of settlement, which was afterwards prepared, four were to go out every year.

"In the vacancy of the four, who appoints their successors? — The proprietors generally; the general meeting of proprietors.

"Are they reëligible? — They are declared by the deed of settlement to be reëligible.

"Are they recommended to the court of proprietors by the court of directors? They are; they have been virtually so: and I beg to refer to one of the annual reports, which gives an explanation upon that point. It is in the report made the 17th of May, 1827, in which it is stated: — The directors have now to advert to a circumstance of some importance as connected with the constitution of the society. By the deed of settlement, the number of directors was limited to twenty. Since the completion of the deed, that number has been reduced by death or resignations to sixteen; and the directors having found by experience that the latter number is quite sufficient to insure a due attendance for the efficient management of the business of the establishment, have not thought it necessary to enforce the terms of the deed by proposing the election of new members; and they think themselves now justified, by past experience, in unanimously recommending to the court of proprietors to limit the number of directors for the ensuing year to sixteen. The directors may add, that this arrangement will be attended with a considerable saving of expense; and in conclusion, they beg to state to the proprietors an opinion in which they also unanimously concur; viz. that in future elections, it will greatly conduce to the harmony and cordiality which it is so desirable should prevail amongst the directors themselves, as well as to the good management of the bank's affairs, if a recommendation shall be made by them to the proprietors in favor of those candidates whom, after due inquiry, they shall find to be the best qualified to fill the situation.'

"Have those recommendations been generally complied with by the proprietors? — Always.

"Uniformly, without exception? — Uniformly; it has uniformly been acquiesced in. Two or three candidates had upon more than one occasion started, but when the mat-

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ter was explained to them, they have uniformly acquiesced in it. It is necessary to state, to complete this, that the recommendation to limit the number of directors to sixteen was afterwards the subject of a special provision by an additional deed of the proprietors, therefore the number cannot be extended beyond sixteen without altering the deed.

"Are the directors paid for their attendance? — They are.

What is the amount of payment which they receive? — It is so regulated that no director can receive above £250 a year, the director in London I mean, were he attending at every possible meeting that he could.

"Is the payment an annual payment, or proportionate to the attendances? — Proportionate to the attendances, ascertained every quarter.

"According to the number of attendances so the parties are paid? — Yes, according to the attendances.

"Was that sanctioned by the proprietors and by the society? — The deed of settlement contains a provision allowing the directors to take the sum of £5,000 as remuneration; they have never taken more than £3,000; the proportion is reduced; that was when the number of directors was twenty.

"Sir Thomas Fremantle. — What do they take now, the sixteen? — They cannot exceed £3,000." (At a recent meeting of the shareholders of the bank, the chairman stated the amount to be £4,000.)

4. — The Daily Committee.

"Will you state how they transact their business? — By meeting daily in committee, (a general committee,) which is open to all to attend; but in order to be a quorum, there must be three present; and by a weekly court, held each Friday, at which all ought to be present.

"Is there a record in writing of all the directions and the acts of that special committee? — There is.

"Are each of those acts brought under the examination and review of the general court on Friday? — At the weekly court they are, the minutes are read over.

"Is the question put upon the confirmation of those minutes, or is it open to the general court to vary or alter them? — The question is specially put by the chairman of the weekly court, whether it is the pleasure of that court to confirm the minutes of the past week which have been read.

"Have you known instances in the management of the bank in which there have been any variations upon the proceedings of the committee proposed by the general court, so as to show that it is an active as well as a theoretical superintendence? — I have seen instances where the subject has been brought under revision, and which has produced an alteration of the resolution of the committee.

"Having now explained to the committee the formation of your local administration at the branches, and your general administration in London, will you state what the course of proceeding is, to insure to the court in London a knowledge of that which takes place at the different branches? — I read from the report already referred to: 'Regular advices of the proceedings at the branches are transmitted by the managers to London by post every second or third day, according to circumstances; and at the end of each week a complete statement of the whole transactions is made up, and forwarded by the mail-coach. These returns are first examined by the officers of the London establishment, and then submitted to the directors. For giving the necessary orders arising out of these communications, for judging of all matters referred to them from the branches, for disposing of the bank's funds in London and Dublin, and for the discharge of all other duties implied in the exercise of a superintendence over the whole establishment, whether in Ireland or in London, the directors hold regular and daily meetings.

"Are the accounts which are sent from the branches accounts in detail of the whole of the operations of the bank? — They are.

"Are they, in fact, transcripts of the accounts of the bank from period to period? — They are so; with this explanation regarding the current accounts of parties holding accounts with the bank, every particular draft or receipt is not sent to London, or rather the entries of these, I mean, are not copied or sent to London; but there is this check on the operations at the branches, the exact balance of every man's account at the end of each week is given, and forms part of an abstract of the balance-sheet

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which is set forward, and which must agree ; therefore if it were wrong it would at once detect itself.

"Then no variation can take place in the actual balance without the attention of the court being at once called to it ?—None can.

"And is the name of each individual to whom these advances are made from time to time brought under the special notice of the court of directors in London ?—Yes ; by the following process. The branches are divided amongst the directors, so many allotted to such a sub-committee, who take up the affairs of these branches each week in succession, and examine all the bills that have been discounted, the advances that have been made of any description, and the balance of each man's account, whether in his favor or against him."

5.—The Inspection of Branches.

"Have you any system of inspection by which you are enabled from time to time to verify the correctness of the proceedings of the branches ?—We have ; besides having a half-yearly balance-sheet made out with all the details of the affairs of each branch at the time, and which is scrupulously examined at London, there is an inspector (two at present) whose duty it is to go through the branches and to examine personally and verify every voucher and every particular, and to remain at the branch until they are fully satisfied that all is right.

"Who are these officers ?—Mr. Murray, the first manager employed at Cork, was, from a conviction of his very eminent qualifications for that office, elected inspector ; he is now our agent in Dublin, and chief inspector of the branches. There has been united with him in duty, first, Mr. Paton, who was manager at Armagh, and then manager at Cork, but who has now left our service, except that he has been elected a local director of the Armagh branch, where he now resides. Mr. Paton has been succeeded in the inspectorship by Mr. Hewat, who is at present acting as interim manager at Cork branch.

"Are the visits of your inspectors at stated and known intervals, or is any branch at any one moment liable to the visit of an inspector, and to an immediate examination and verification of their accounts and bills and balances ?—Every branch is so liable to be visited ; there is no previous intimation given, except the visit be for some particular purpose which, by a representation from the branch, calls on the inspector to go.

"As an additional security, have you yourself, or any of the directors, been accustomed to visit the branches, and to report thereon ?—I have myself every year, and sometimes oftener than once a year, even twice or three times in a year, gone to Ireland, and have gone through the whole branches, in fact, more than once, at different times ; and on all occasions have made examinations which appeared to me to be necessary ; and besides that, the directors have in person repeatedly visited the branches ; deputations of the London directors, I mean, have so done."

6.—The Declaration of a Dividend.

"Will you explain to the committee what steps you take before you declare a dividend ?—We have regularly a balance every half year ; the dividend has only been declared once a year, at the termination of the year, which is in March ; our year ends in March. Prior to that period, each manager is directed to send up a special report of every obligation which is outstanding, or of any which is doubtful, describing particularly in the report every party to such obligation ; that is preparatory to going further into the matter ; then when the balance at the end of March is completed, a complete balance sheet of every branch is made up and sent to the bank, with a more detailed report. A special committee of the directors is appointed to examine those, and they go minutely through them, and weigh every outstanding debt, and strike off every thing that is considered to be irrecoverable ; they then consider in what degree the reports of the managers represent every other outstanding debt to be recoverable, either in full or in part ; and when all that has been done, they add generally a sum to cover still any possible omission, and it is only then that the fair profits of the year are considered to be ascertained.

"Can you inform the committee how far your calculations, your annual calculations of bad and doubtful debts, have or have not been below or above the mark ?—In many instances, our allowances have exceeded what has turned out to be the real loss ;

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for, as I mentioned before, the directors, in order to be more secure, have been in the practice of making an additional deduction over all the deductions made by the officers at the branches.

"Have the proprietors any power under your deed of settlement of naming any auditors, or having any examination of those accounts, so as to verify their fidelity? — We have no auditors, but there is a provision in the deed of settlement by which a certain number of proprietors may call for a further investigation of the accounts, if they are dissatisfied."

7.— *The Causes of its Prosperity.*

"Do you think there is any thing peculiar in the construction of this bank which has insured its being correctly and well managed up to the present time, or that it has rather arisen from the 'happy accident' of the directors who were selected having been honorable and correct men of business? — I conceive the very first and indispensable thing was an exceedingly respectable board of directors formed in the first instance, and which has always been maintained. In the next place, that the system of accounting that was adopted, and the check on the operations of the different branches, which has not been departed from, has most materially contributed to that good result. In the next place, there was an exceedingly good field for banking when we commenced, for Ireland was very destitute of good banks at the time, the Bank of Ireland operations having been confined only to Dublin. Therefore, from all those concurring circumstances, I conceive the prosperity of the bank has resulted."

To these causes we may add one more, stated in the Report delivered by the Directors to the Proprietors in the year 1836,—the non-interference of the shareholders in the distribution of the profits:—

"To this desirable position the affairs of the bank have been conducted, as the directors have great pleasure in acknowledging, by the uniform support and continued approbation of the proprietors, who, far from manifesting any impatient desire to participate in the reserved profits, have always relied with confidence on the opinion of those by whom the working of the establishment was superintended, feeling assured that whenever such participation was clearly expedient, it would not be withheld."

The following is a copy of the Balance-sheet attached to the last Report, delivered May 17th, 1849:—

PROVINCIAL BANK OF IRELAND.		£	s.	d.
The amount of rest or undivided profits at 25th March, 1848, was .		107,505	10	11
Out of which there have been paid two half-yearly dividends, at the rate of 8 per cent. per annum, amounting to		43,200	0	0
Leaving a balance, or rest, of		64,305	10	11
To which there has since been added the amount of net profits for the year ending the 31st March last, after deducting the Property Tax and all expenses, and providing for all bad and doubtful debts,		45,733	5	6
Making the amount of rest at 31st March, 1849, .		£ 110,038	16	5

The Provincial Bank of Ireland has branches at the following places :

Armagh.	Coleraine.	Fermoy.	Omagh.
Athlone.	Cootehill.	Galway.	Parsonstown.
Ballina.	Cork.	Kilkenny.	Skibbereen.
Ballymena.	Drogheda.	Kilrush.	Sligo.
Ballyshannon.	Dundalk.	Limerick.	Strabane.
Banbridge.	Dungannon.	Londonderry.	Tralee.
Bandon.	Dungarvon.	Mallow.	Waterford.
Belfast.	Ennis.	Monaghan.	Wexford.
Cavan.	Enniscorthy.	Newry.	Youghal.
Clonmel.	Enniskillen.		

The National Bank.

The National Bank of Ireland.

The Prospectus of this bank, issued in 1834, announced that it would be conducted on the "local shareholder principle."

"It is proposed that each branch shall have a separate capital proportioned to the extent of its business, one half to be subscribed by resident shareholders, so as to identify their interest with their own establishment, and the other half to be subscribed by the National Bank of Ireland, whose connection with each branch, whether its separate capital consists of £5,000 or £50,000, will afford it the credit of whatever capital (however large) the National Bank of Ireland may have actually paid up at the time."

"The following are the terms and conditions of subscribing:—

"1. That a company shall be formed in London, to extend to Ireland the benefit of a sound banking system.

"2. That a bank be formed in each town in Ireland, where practicable by law, and which offers a prospect of success to the operations of the company.

"3. That the object of the London company shall be to connect itself with shareholders exclusively interested in the success of each local establishment.

"4. That the principle of the bank shall be the division of profits of each bank with such local shareholders in Ireland. The capital of each branch to be subscribed equally by shareholders on the spot and the company in London.

"5. That the capital of the London company shall be £1,000,000, in shares of £50 each, to be called the original capital, which may be increased as the business of the company extends; but the premium, on any addition, to go to the first subscribers.

"6. That the bank shall be formed as soon as half the capital is subscribed.

"7. That the bank shall be managed by a board in London, consisting of twenty-four directors, in whom will be vested the supreme control.

"8. That each local bank shall be managed by a board of local directors, elected by the shareholders, subject to the approbation of the directors in London."

This principle was first announced to the public by the late Mr. Thomas Joplin. He attempted to introduce it into the National Provincial Bank of England, of which he was the managing director, and to the formation of which he had materially contributed. But the practical difficulties were found to be great. It was almost impossible to arrange the preliminaries to the satisfaction of all parties, and the principle was never brought into operation. Mr. Lamie Murray, who projected the National Bank of Ireland, was the secretary of the National Provincial Bank of England, and had adopted Mr. Joplin's views on the subject. When first established, therefore, the National Bank of Ireland acted on this principle; but after a few years the independent banks in Ireland consented to become branches of the head establishment. Those at Clonmel and Carrick-on-Suir, however, declined this arrangement, and they still register as independent banks, though they are regarded by the public as branches of the National Bank of Ireland.

Another peculiarity attended the formation of this bank. Its chief connections lay among that political party in Ireland who advocated a Repeal of the Union, and who had been accused of causing all the runs for gold that had taken place on the existing banks. In the provisional committee we find the names of the late Daniel O'Connell, Esq., M. P., Maurice O'Connell, Esq., M. P., Fitz-Stephen French, Esq., M. P., James Grattan, Esq., M. P., and others of the same political views. The seat of government, however, like that of the Provincial Bank of Ireland, was fixed in London. One advantage resulted from connecting the heads of this party

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with an Irish joint-stock bank. There was an end to all *political* runs for gold. When a run afterwards took place, in consequence of the failure of the Agricultural Bank, Mr. O'Connell used all his influence to allay the excitement then occasioned. The branches of the National Bank are opened almost entirely in the south and west of Ireland. The bank has also an office in Dublin, where, since the Act of 1845, it has issued its own notes.

The report of 1848 states that the National Bank of Ireland had taken the business of the London and Dublin Bank :—

"During the latter part of the year, it having been intimated to the directors that the London and Dublin Bank were desirous of dissolving that company, negotiations were entered into with the directors, which terminated in this establishment succeeding to its connections in the towns of Dundalk, Carrickmacross, Wicklow, Kells, Athy, Mullingar, and Parsonstown, with every prospect of advantage to the bank. The whole of these localities are, with the exception of Parsonstown, within the circle from which all banks of issue, except the Bank of Ireland, had been excluded, until the extinction of the monopoly by the Banking Act of 1845."

Several of the savings' banks in Ireland having failed, and occasioned losses to the depositors, through the dishonesty of the officers, and the inability of the trustees to make good the losses, the National Bank of Ireland have recently determined to discharge some of the functions of a savings' bank. They receive deposits for 10s., £1, £1 10s., £2, £2 10s., or for any multiple of 10s., but not for any fractional part of 10s. When the sums thus received amount to £5, the party gets a regular deposit receipt for the amount. In the mean time he receives interest at the same rate which is allowed on other deposit receipts (at present 2 per cent.) and can withdraw it at a short notice. The following is the form of receipt given to the savings' bank depositor :—

NATIONAL BANK OF IRELAND.

No.		Manager.
	<i>Received from</i>	
<i>of</i>	TEN SHILLINGS.	
<i>day of</i>	18	

The following is a copy of the Balance-sheet attached to the last Annual Report, delivered May 23d, 1849 :—

	£	s	d.
The undivided profits at December, 1847, were	61,105	4	4
Net profits for the year ending December, 1848	26,490	12	10
	£ 87,595	17	2
Deduct half year's dividend to Midsummer, 1848,			
at 5 per cent.	£ 11,250	0	0
Ditto, to Christmas, 1848	11,250	0	0
Bonus of 10s. per share on 20,000 shares	10,000	0	0
Amount paid T. Lamie Murray, Esq., according			
to the provisions of the Deed of Settlement	1,000	0	0
Balance of profit and loss carried to that account			
for 1849,	3,990	12	10
	37,490	12	10
Leaving amount of undivided profits to the credit of reserve fund,			
at December, 1848	£ 50,105	4	4

The Hibernian Bank.

The National Bank of Ireland has branches at the following places :—

Athlone	Cork.	Limerick.	Roscommon.
Athy.	Dundalk.	Longford.	Roscrea.
Ballina.	Dungarvan.	Loughrea.	Skibbereen.
Ballinasloe.	Ennis.	Mallow.	Tallow.
Boyle.	Enniscorthy.	Midleton.	Thurles.
Carrickmacross.	Fermoy.	Mitchelstown.	Tipperary.
Carrick-on-Suir.	Galway.	Moate.	Tralee.
Cashel.	Kanturk.	Mullingar.	Tuam.
Castlereagh.	Kells.	Nenagh.	Waterford.
Charleville.	Kilkenny.	New Ross.	Westport.
Clonakilty.	Killarney.	Parsonstown.	Wexford.
Clonmel.	Kilrush.	Rathkeale.	Wicklow.

The Hibernian Bank.

The Hibernian Joint-stock Bank was formed in the year 1824. The following account of the origin of this bank is given by John Robinson Pim, Esq., of Dublin :—

“ A number of Roman Catholic gentlemen, finding they were continued to be excluded from the direction of the Bank of Ireland, met together, and obtained the signatures, not only of Roman Catholics, but of a number of others, amongst the rest myself, to the establishment of this bank ; many merchants signed it, as considering that by having an opposition bank in such a city as Dublin, advantages would frequently be derived from it, and not altogether looking to the emolument which they should receive as subscribers to the bank, but looking at it as citizens generally ; I myself never calculated on a very great deal of profit from it, except at a very remote period. Some of the individuals who undertook it came over to London, and they had expected to obtain the power of issuing notes, but they met with so much opposition from the Bank of Ireland, — there were some of the directors of the Bank of Ireland came over here in order to oppose it, — and the clauses which they intended to enable them to issue notes were expunged in the committee ; but I state this only from hearsay.”

Its nominal capital is £ 1,000,000, divided into 10,000 shares of £ 100 each. £ 25 per cent. has been paid upon each share, so that the money actually advanced amounts to £ 250,000.

In the same year this company obtained an Act, entitled “ An Act to enable the Hibernian Joint-stock Company, for the purpose of purchasing and selling annuities, and all public and other securities, real and personal, in Ireland, and to advance money and make loans thereof, on the security of such real and personal security, at legal interest, and on the security of merchandise and manufactured goods, to sue and be sued in the name of the governor or secretary for the time being.” *

The preamble states, that, —

“ Whereas the commerce, and manufactures, and agriculture of Ireland has long labored under great disadvantage, arising from the want of due command of capital ; and that merchants and manufacturers have no means of procuring temporary advances of money on a deposit of their goods, when a slackness of demand arises ; and whereas several persons have agreed to form themselves into a company, or partnership, under the name of the ‘ Hibernian Joint-Stock Company,’ and have subscribed or raised considerable sums of money in order to purchase and sell annuities and all public and other securities, real and personal, in Ireland ; or to make loans and advances of money on the security thereof, and on the security of merchandise and

* Anno quinto Georgii IV. Regis, cap. 159

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manufactured goods, at legal interest, and to receive lodgments of money or deposit thereof; and great public benefit is expected to be derived to the trade, manufactures, and agriculture of Ireland from the formation of such a company or partnership; and whereas difficulties may arise from time to time," &c.

It is enacted, that this company may sue and be sued in the name of their governor or secretary. A memorial of the names of the governor, secretary, and members, and of the transfer of shares, to be enrolled in Chancery; and no actions to be brought by the company, under the authority of this Act, until such memorial shall have been enrolled. Execution upon any judgment against the governor or secretary may be issued against any of the members, who are to be reimbursed their expenses by the company.

At the last half-yearly meeting of the shareholders, held on the 4th of December, 1848, the following statement was exhibited, and a dividend declared at the rate of 5 per cent. : —

Abstract of the Affairs of the Company to 1st of November, 1848, pursuant to the Deed of Settlement.

	£	s.	d.
Assets of the company	550,575	1	6
Due to the public	218,623	7	8
	331,951	13	10
Capital of the company, £1,000,000, 25 per cent. paid	250,000	0	0
Balance to credit of profit and loss in favor of the company	81,951	13	10
Net profits of the company for the year ending the 1st of November last, after deducting all charges for management	£16,055	15	7

The Royal Bank of Ireland.

The Royal Bank of Ireland was formed in the year 1836, and before opening made arrangements for taking the business of the private bank of Sir James Shaw & Co. At that time the law did not permit joint-stock banks, in Dublin, to accept bills drawn at less than six months after date, or to sue and be sued in the name of their public officers. These restrictions were removed by the Act of 1845. The Royal Bank attempted also at that time to obtain the power of issuing notes, but were not successful. The manager of the bank from its commencement has been Mr. Charles Copland, who had previously been a manager in the Provincial Bank of Ireland.

At the last annual meeting, held on the 7th November, 1848, the following statement was laid before the shareholders : —

	£.	s.	d.
The paid-up capital of the bank is	209,175	0	0
The amount of reserve fund	45,475	8	0
The net profits of the year, which terminated on the 31st of August last, after deducting all expenses of management, amount to	19,877	16	4
Out of which have been paid to the proprietors two half-yearly dividends, at the rate of 5 per cent. per annum, amounting to	10,458	15	0
Leaving a surplus on the year of	£9,419	1	4
Which has been added to the bad and doubtful debt fund.			

The Banks of Belfast.

THE BANKS OF BELFAST.

There are three joint-stock banks at Belfast. The Northern Banking Company was formed in 1825, on a private bank which was called the Northern Bank. This was the first joint-stock bank in actual operation in Ireland. The Belfast Banking Company was formed on a private bank, which was called the Belfast Bank. The senior partner in this bank, John Holmes Houston, Esq., was examined as a witness before the Parliamentary Committee of 1826, on the abolition of small notes in Ireland. His evidence contains some interesting particulars respecting the state of banking in Belfast during the time he had been a partner in that bank.* The Ulster Banking Company is a new bank, formed in 1837. All these banks have branches extending throughout the north of Ireland. The prudence with which banking institutions have at all times been managed at Belfast, has no doubt greatly contributed, with other causes, to the prosperity of the north of Ireland. The following is the condition of the three banks at Belfast : —

Belfast Banks.	Date of Bank.	Number of Shares.	Number of Proprietors.	Amount of Shares.	Paid up on Share.	Paid-up Capital.	Last Dividend, per cent.	Number of Branches.	Fixed Circulation.
				£	£ s.	£			£
Northern	1825	5,000	193	100	{ First 25 0 Bonus 5 0 30 0 }	150,000	10	11	243,440
Belfast	1827	5,000	656	100	25 0	125,000	8	18	281,611
Ulster	1837	75,000	440	10	2 10	187,500	5	15	311,079

The Northern Banking Company has branches in the following places : —

Armagh.
Ballymena.
Carrickfergus.
Clones.

Coleraine.
Downpatrick.
Lisburn.
Londonderry.

Lurgan.
Magherafelt.
Newtownlimavady.

The Belfast Banking Company has branches at the following places : —

Armagh.
Ballymena.
Ballymoney.
Castleblayney
Coleraine.
Cookstown.

Dungannon.
Larne.
Letterkenny.
Londonderry.
Magherafelt.
Monaghan.

Newry.
Newtownards.
Newtownlimavady.
Portadown.
Strabane.
Tenderagee.

* See the History of Banking in Ireland, by J. W. Gilbart

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The Ulster Banking Company has branches at the following places : -

Antrim.	Cookstown.	Lurgan.
Armagh.	Cootehill.	Monaghan.
Ballymena.	Downpatrick.	Omagh.
Ballymoney.	Enniskillen.	Portadown.
Banbridge.	Londonderry.	

The Tipperary Joint-stock Bank.

In the Act of 1845 there is an express provision with reference to the Tipperary Bank.

Provision in case of Determination of existing Agreement between the Bank of Ireland and Tipperary Joint-stock Bank.

"XXXI. And whereas a certain joint-stock banking Company, called and known as 'The Tipperary Joint-stock Bank,' refrained from issuing its own bank notes, under a certain agreement with the Governor and Company of the Bank of Ireland for the issue of the bank notes of the said governor and company, which agreement is determinable by either party upon certain notice to the other party, and it is just that in case such agreement should at any time hereafter during the continuance of this Act be determined and put an end to by the Governor and Company of the Bank of Ireland, that the said Tipperary Joint-stock Bank should receive by way of compensation such composition as hereafter mentioned; be it therefore enacted, That if the said agreement shall be at any time hereafter during the continuance of this Act determined or put an end to by the Governor and Company of the Bank of Ireland, then and in such case the said governor and company shall, from the termination of the said agreement, pay and allow to the said Tipperary Joint-stock Bank, so long as the latter shall continue to carry on the business of a bank and to issue exclusively the notes of the Governor and Company of the Bank of Ireland, a composition at and after the rate of one per centum per annum on the average annual amount of the Bank of Ireland notes issued by the said Tipperary Joint-stock Bank, and kept in circulation, such average annual amount to be ascertained by the Bank of Ireland in the manner provided for regulating the compensation to be made to certain bankers by the Bank of England in and by the Act passed in the seventh and eighth years of the reign of her present Majesty, entitled 'An Act to regulate the Issue of Bank Notes, and for giving to the Governor and Company of the Bank of England certain Privileges for a limited Period:' Provided always, that the total sum payable to the Tipperary Joint-stock Bank by way of composition as aforesaid in any one year shall not exceed 1 per cent. on an amount that hath been agreed on by and between the Bank of Ireland and the Tipperary Joint-stock Bank, and certified by both banks to the Commissioners of Stamps and Taxes; and such composition shall cease to be payable from and after the 1st day of January, one thousand eight hundred and fifty-six."

The Tipperary Bank has branches at the following places : —

Athy.	Nenagh.	Thurles.
Carlow.	Roscrea.	Tipperary.
Carriick-on-Suir.	Thomastown.	

At the last general meeting the directors declared a dividend at the rate of 6 per cent., and added £2,513 8s. 5d. to the "doubtful debt fund," which then amounted to £5,013 8s. 5d. The amount of the capital was not stated.

The following joint-stock banks have ceased to exist in Ireland : —

1. The Agricultural and Commercial Bank of Ireland, formed in the year 1834, stopped payment in the latter end of the year 1836. It was afterwards resumed for a short time, and then finally closed. A full account of the reckless proceedings of this bank is given in the third volume of the *Bankers' Magazine*.

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2. The London and Dublin Bank was formed in 1844, and merged in the National Bank of Ireland in the year 1848. This was not a bank of issue.

3. The Southern Bank of Ireland was formed at Cork after the failure of the Agricultural Bank of Ireland. It was registered the 25th of March, 1837, opened in Cork in the month of July, and stopped payment in the following September.

The Laws of the Currency in Ireland.

From what we have already said of the laws of the currency,* those of our readers who are acquainted with Ireland will be able to judge beforehand of the revolutions of her circulation. Being purely an agricultural country, the lowest points will of course be in August or September, immediately before the harvest, and the commencement of the cattle and bacon trade. Then it rises rapidly, till it reaches its highest point in January, and then gradually declines. As an agricultural country, we should naturally expect that during the season of increase the circulation would expand most in the rural districts; and so we find that the circulation of the Bank of Ireland, in Dublin, expands very moderately, — that of her branches, which are located chiefly in large towns, expands more, — while the circulation of the joint-stock banks, which are located in the agricultural districts, receives the largest increase. Again, the purchases and sales of agricultural produce are known to be in small amounts; and hence the notes of the smallest denomination receive the largest relative increase. The annual changes of the Irish circulation are governed chiefly by the produce of the harvest and the prices of agricultural products. These are the laws of the circulation of Ireland.

On this subject I may quote my own evidence before the Committee on Banks of Issue: —

“I have told the committee that I was formerly manager of a joint-stock bank of issue in Ireland, and I have attempted to discover the laws which regulate the circulation of that country, by ascertaining the highest and lowest amount of the circulation in each year. This which I have in my hand is a table showing the circulation of the Bank of Ireland (including branches), the separate circulation of the branches alone, and the circulation of the Irish joint-stock and private banks, on the last Saturday of April, August, and December of the years 1834 to 1839. It will be observed that those periods are the same as those which I have referred to in the circulation of the English country banks. The law of circulation appears to be different, but they agree pretty nearly in this, that the lowest point is the latter end of August; but the highest point in Ireland is generally the end of December or the beginning of January, and from December, or the beginning of January, it declines; so that the country circulation of England is advancing eight months and declining four; but the circulation of Ireland is advancing four months and declining eight.

“Where is this table compiled? — From Appendix Nos. 32 and 33.

* See pages 240, 292, 327.

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This table shows that the circulation of Dublin does not vary much it shows that the circulation of the branches of the Bank of Ireland varies more ; and that the circulation of the joint-stock and private banks in Ireland varies considerably more.

A TABLE showing the CIRCULATION of the BANK OF IRELAND (including Branches); the Circulation of the Branches alone; and the Circulation of the Irish Joint-Stock and Private Banks; on the last Saturday of April, August, and December, of the years 1834 to 1839.

I. — Bank of Ireland and Branches.

	1834.	1835.	1836.	1837.	1838.	1839.
	£	£	£	£	£	£
April, . . .	3,922,300	3,798,500	3,614,100	3,332,300	3,398,400	3,536,400
August, . .	3,452,800	3,198,700	3,133,500	2,921,600	3,055,800	2,981,800
December, .	3,926,800	3,574,200	3,481,100	3,265,700	3,474,500	3,192,200

II. — Branches of the Bank of Ireland.

April, . . .	} No separate account kept at this time.	—	1,357,600	1,572,000
August, . .		1,056,200	1,257,600	1,211,900
December, .		1,342,300	1,695,600	1,464,000

III. — Joint-Stock and Private Banks.

April, . . .	1,386,165	1,517,648	2,083,431	1,798,724	2,366,774	2,588,377
August, . .	1,140,654	1,264,572	1,928,900	1,480,240	1,881,906	1,982,122
December, .	1,666,269	1,959,542	1,787,586	2,204,286	2,972,034	2,629,205

“ It will be observed, that in the year 1836, with regard to the joint-stock banks, there was a departure from the law, which usually increases the Irish circulation very rapidly between the months of August and December; for in 1836 the Agricultural and Commercial Bank of Ireland stopped payment; that brought on a run for gold upon the other banks, and thus the circulation of those banks became reduced. This is the only year in which there is not a very considerable increase in the circulation of the joint-stock banks of Ireland between August and December.

“ To what do you attribute this uniform increase of the Irish circulation towards December? — I attribute it to the trade in corn, and bacon, and cattle, which commences in the months of September and October in every year; the produce of the harvest commences to be brought to market in September; but the bacon is made in the beginning of October. The bacon must be made in cold weather, and therefore pigs are reared so as to be fit for killing by the 1st of October; and in the beginning of October the provision merchants send out their men to purchase pigs at the different markets, and they get notes from the bank. The cattle trade is conducted in the same way; men go to the market to buy pigs and cattle, and take them over to Bristol and Liverpool, but chiefly to Bristol, from the part where I was. Those notes are chiefly issued in three ways. During the summer, the merchants, having their capital unemployed, lodged it as deposits in the bank; then, when the season for trade commenced, they drew out their deposits, in the form of notes. Afterwards, they brought us bills upon their factors in London, and our notes were issued in discounting those bills which they had drawn against

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the exportations of bacon and cattle. The dealers took their pigs and cattle over to Bristol, and sold them in the various markets and fairs in the west of England, and received the notes which were circulating in that district, and took them to Mr. Stuckey, and got a letter of credit upon me, payable on demand, for the amount. So that our notes were issued, in the first place, by the withdrawal of deposits; secondly, for the discounting of bills on London, drawn against the exports which were made; and thirdly, for the payment of letters of credit which had been obtained by the parties who had sold Irish cattle in the English markets. The notes were, therefore, drawn out by the trade of the country, and of course it was not in our power to withhold issuing those notes, unless we wished to cramp the trade of the country."

Robert Murray, Esq., the chief officer of the Provincial Bank of Ireland, was examined as to the establishment of one Bank of Issue throughout Ireland. The following is his reply:—

"It would produce an entire revolution in the monetary affairs of Ireland. The committee will already have gathered from the questions I have previously answered, that the produce is brought to market in very small quantities, and by a very large number, I had almost said an innumerable class, of farmers; each man brings his sack of oats and two or three pigs to market. It would be almost impossible, in such a state of things, to regulate by one bank of issue the monetary affairs of Ireland, or to adapt it to its purposes as it is now situated."

The following is the report of the Select Committee of the House of Commons, made in 1826, respecting the abolition in Ireland of notes under £5:—

"With respect to the circulation of Ireland, the inquiries of your committee have been less extensive than those which they have instituted with respect to Scotland.

"The first law in Ireland which restrained the negotiation of promissory notes, was an Act passed in the Irish Parliament in the year 1799.

"The preamble recites, that various notes, bills of exchange, and drafts for money, have been for some time past circulated in lieu of cash, to the great prejudice of trade and public credit; and that many of such notes are made payable under certain terms, with which the poorer classes of manufacturers and others cannot comply, unless by submitting to great extortion and abuse. It adds, that the issue of such notes has very much tended to increase the pernicious crime of forgery; and the Act proceeds to apply to notes between the value of £5 and 20s. similar restrictions to those which had been applied to such notes issued in England by the Act which passed in the year 1777. It permits, however, during the suspension of cash payments by the Bank of Ireland, the issue of bank-post bills, bills of exchange, and drafts under certain regulations, for any sums not less than three guineas. This Act did not extend to the Bank of Ireland.

"In 1805, this and some other Acts which had passed in the interim, relating to the issue of small notes, were repealed; and notes under 20s., which had been previously admitted under certain regulations by the Act of 1799, were declared void.

"There is at present no law in force imposing any limitation to the period for which notes for a sum not less than 20s. may be issued in Ireland.

"A tolerably correct estimate of the amount of promissory notes, above and below £5, circulating in Ireland, may be formed from the subjoined returns made by the Bank of Ireland, and by other banks at present established in that country.

"Bank of Ireland notes.—An account of the average amount of the Bank of Ireland notes of £5 and upwards (including bank-post bills) for the years 1820, 1821, 1822, 1823, 1824, and 1825:—

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	Irish Currency.
	£ s. d.
" Notes and post bills of £ 5 and upwards,	3,646,660 19 6

" An account of the average amount of the Bank of Ireland notes under the value of £ 5 (including bank-post bills) for the years 1820, 1821, 1822, 1823, 1824, and 1825 : —

	Irish Currency.
	£ s. d.
" Notes and post bills under the value of £ 5,	1,643,828 0 5

" It appears from the evidence that a practice prevails in Ireland of issuing notes for the payment of sums between one and two pounds, for three guineas, and other fractional sums.

" Your committee see no public advantage arising out of this practice ; and they are of opinion that it ought to be discontinued, as it tends to dispense with the silver coin, and practically to exclude it from circulation.

" Your committee hesitate, in the present imperfect state of their information, to pronounce a decisive opinion upon the general measures which it may be fitting to adopt with respect to the paper currency of Ireland.

" Although they are inclined to think that it would not be advisable to take any immediate step for the purpose of preventing the issue of small notes in Ireland, their impression undoubtedly is, that a metallic currency ought ultimately to be the basis of the circulation in that country.

" It will probably be deemed advisable to fix a definite, though not an early period, at which the circulation in Ireland of all notes below £ 5 shall cease ; and it is deserving of consideration, whether measures might not be adopted in the interim, for the purpose of insuring such a final result by gradual though cautious advances towards it."

The following is a summary of the evidence given before the Committees of the two Houses of Parliament as to the effect of abolishing the small note circulation in Ireland : —

1. Small currency is necessary to carry on the commercial transactions of the country.

JOHN ACHESON SMYTH, Esq., Agent for the Belfast Bank at Londonderry.

" In Lancashire, I believe all the raw materials are bought in large parcels, and by bills. In Ireland, the raw material is all bought in small parcels, and all in small notes. In Lancashire, there is only cash wanted to pay the workmen ; but we want it both to pay the workmen and to buy the raw material. The provision and grain that we send to England are also bought in small notes, and we are reimbursed by drawing bills for our shipments." (*Commons' Report*, p. 77.)

PIERCE MAHONY, Esq., Solicitor to the Provincial Bank of Ireland.

" If the banks were prevented issuing notes under the amount of £ 5, would any inconveniences arise in conducting the trade of the South of Ireland ? — The trade of Ireland generally, and especially in the South of Ireland, would be greatly inconvenienced, and the growth of manufactures would be decidedly checked, if not destroyed, by such a measure. From the great subdivision of land in Ireland, and particularly in the South and West (where the population is almost exclusively agricultural), the produce is disposed of in small portions, scarcely ever representing £ 5, and almost universally under that amount. I am of opinion, that the withdrawal of all notes under that amount would have the effect of curtailing the accommodation the banks now afford to the public, to a ruinous extent ; and that the trade of the country under such circumstances would not afford profitable employment for banking capital to any extent ; and, therefore, I should anticipate the withdrawal of such establishments, except perhaps at Cork and Belfast. In the South and West of Ireland, from the nature of the

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provision and corn trade, the chief demand for notes or for gold commences in October, and continues until March, when that trade is nearly over for the season. From March until October the butter trade is almost the only one in the South and West of Ireland; and as that trade would not employ all the capital that is required in the winter season, the effect would be, if sovereigns were substituted for small notes, that the extra supply required for the corn, beef, and pork trade, must remain idle in the banker's chest, or be remitted at great risk and expense for employment elsewhere during the summer and autumn.

"Do you think if a metallic circulation were adopted that there would be a difficulty in maintaining that metallic circulation? — I do; because the trade in the South and West of Ireland is periodical; the remittances from those districts of Ireland would force the gold away at certain periods, and it must be returned at others with considerable expense to meet the trade of the country." (*Commons' Report*, pp. 250, 251.)

2. A gold currency would be more inconvenient than notes, and would not be so well liked by the people.

LEONARD DOBBIN, Esq., *Agent for the Northern Banking Company of Belfast, at Armagh.*

"Do the people of the North of Ireland manifest any wish for gold in preference to notes, or for notes in preference to gold? — They decidedly prefer notes, and the weavers have refused to carry gold out of the market lately.

"Can you assign any reason for this preference? — There are many reasons that I could assign. The bank notes are now the established currency; the people are perfectly acquainted with them. If a man should lose notes, or a house be robbed, or if there is a forgery, it would be much better for them to trace notes than it would gold. I have often assisted poor people in tracing notes that were robbed, and forged notes, whereas the gold could not be traced so readily. Another reason I would give is this; guineas became light, and were troublesome to the people. When standing beam there was 1s. charged, and when lighter than standing beam, 2s. 6d.; and when gold was scarce, and bank notes not a legal tender, the land agents refusing to take any thing but gold, the tenants were obliged to pay from 1s. to 4s. on a guinea discount. Some agents would only take gold." (*Commons' Report*, p. 243.)

J. A. SMYTH, Esq., *Linen Merchant, and Agent for the Belfast Bank at Londonderry.*

"I am in the habit of employing my linen buyers to go to the country markets, and I must supply them with the week's money before they start, perhaps five hundred or a thousand pounds; they have to go through the interior of the country, and do not return for a week. They make their purchases all in small quantities, and it is more convenient for them to carry notes than gold." (*Lords' Report*, p. 7.)

ARTHUR GUINNESS, Esq., *Director of the Bank of Ireland.*

"I conceive that with the persons who handle the circulation of the country, there is a decided preference in favor of small notes over cash in every respect. I speak from mine own experience; for I remember perfectly well, before the restrictions upon cash payments, when gold was a great inconvenience in trade. I speak of those who handle the currency of the country, among whom I think the preference is in favor of the small notes, as more convenient, more portable, and less liable to counterfeit. I conceive these to form the general ground of preference." (*Commons' Report*, p. 237.)

3. The profits of the banking establishments would be so much diminished, that they could not extend the same accommodation to the agricultural and commercial classes.

W. P. LUNNEL, Esq., *Director of the Bank of Ireland.*

"If the notes under £5 were prohibited, would the profits of the Bank of Ireland

* This gentleman was afterwards agent for the Bank of Ireland at Armagh, and M. P. for that place.

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be materially affected by such prohibition? — I should expect that they would suffer they must sacrifice a certain profit.

"Have you considered to what extent the profits of other bankers would be affected? — I should expect that the principal circulation of the country bankers is in small notes, and therefore in that proportion they would suffer." (*Lords' Report*, p. 108.)

JOHN HOLMES HOUSTON, Esq., *Banker at Belfast.*

"If all the notes under £5 were prohibited to be issued, would it be worth while, in your opinion, to keep the establishment of a bank at Belfast? — I do not think it would, except by carrying it on in the same manner as it formerly was, — to keep a discount office, charging a commission on discounting bills, because £5 notes would not circulate; then our circulation would be so trifling it would not answer." (*Ibid.* p. 35.)

H. A. DOUGLAS, Esq., *Director of the Provincial Bank of Ireland.*

"I consider the cash account system, and the one pound circulation so connected, that if the notes are withdrawn, it is understood that our establishment will not grant any further cash credits. The business which we carry on, even if we charged a higher rate of interest, or a commission, would not be of sufficient magnitude to repay us for the expense of our establishment, independent of our notes. If the issue of small notes be withdrawn, then we cannot afford to allow interest on deposits." (*Lords' Report*, pp. 24, 26, 27.)

4. The abolition of small notes would prevent the investment of British capital in the present banking establishments.

T. S. RICE, Esq., M. P., and *Director of the Provincial Bank of Ireland.**

"Is it your opinion, that if all notes under £5 were abolished, a considerable inconvenience would arise in the ordinary traffic in Ireland? — I conceive that it would. I conceive that the first effect of the extinction of all notes below £5 would be a much more considerable diminution of the general mass of the circulating medium in Ireland than in England.

"I fear extremely that if any thing were to occur which materially diminished the profits of our establishment, it would have the effect of depriving us of one of the chief benefits of the establishment, namely, the support and control of British capitalists, and conducting the bank by British merchants, and upon British commercial principles. I conceive a rate of profit, rather higher than the average rate of profits, is essential to induce persons so circumstanced to engage in such a business, more particularly when it is considered that there is no limitation of responsibility by the grant of charters." (*Lords' Report*, pp. 47, 51.)

5. The gold currency would be sent out of the country, whenever it bore a premium in England.

HENRY H. HUNT, Esq., *Local Director of the Provincial Bank of Ireland, at Waterford.*

"What do you think would be the consequence of a law which prohibited the issue of notes below £5, both by the Bank of Ireland and by any other banking establishment in Ireland? — I should think it would be very hazardous indeed: I should very much apprehend that the gold circulation would at times be *withdrawn* in a very great degree from the country, whenever gold was wanted in London; for instance, A SMALL PREMIUM UPON A SOVEREIGN WOULD INDUCE A VAST QUANTITY OF THEM TO BE BROUGHT OUT OF IRELAND.

"Have you ever known instances of quantities of gold being brought over from Ireland to this country, and persons making a regular traffic of it? — I have." (*Commons' Report*, pp. 73, 74.)

6. The proposed measure would cause general distress, and prevent the progress of enterprise.

* Now Lord Monteagle.

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JOHN ROBINSON PIM, Esq., *General Merchant in Dublin.*

"The very idea of curtailing the currency under £ 5 would have a tendency to discourage all adventure in Ireland at present. I should not, for one, be careful of placing money in any kind of machinery till the effect was tried. I fancy it would reduce property very much in that country, — and sometimes fancies are almost as bad as reality." (*Lords' Report*, p. 19.)

The following table was given in by Mr. Murray to the Committee of the House of Lords, showing the circulation of Ireland since the passing of the Act of 1845 :—

ABSTRACT of the RETURNS by the several BANKS OF ISSUE in IRELAND under the Provisions of the Act 8th & 9th Victoria, cap. 37. From 3d January, 1846, to 20th May, 1848.

For the Four Weeks ended 1846.	Certified Issue of all the Banks. £	Notes of £ 5 and upwards. £	Notes under £ 5. £	Total Issue of all the Banks. £	Gold held. £	Silver held. £	Total Specie held by all the Banks. £
3d Jan. . .	6,354,494	3,039,855	4,364,509	7,404,366	2,221,944	267,308	2,489,254
31st Jan. . .	6,354,494	3,052,163	4,353,583	7,410,751	2,232,887	295,145	2,531,032
28th Feb. . .	6,354,494	3,066,529	4,403,193	7,469,729	2,262,714	304,582	2,567,300
28th March. .	6,354,494	3,071,589	4,373,371	7,444,960	2,246,022	322,131	2,568,158
25th April. .	6,354,494	3,170,291	4,366,031	7,536,323	2,204,748	321,861	2,526,613
23d May. . .	6,354,494	3,223,469	4,193,610	7,422,080	2,177,633	321,310	2,498,945
20th June. . .	6,354,494	3,072,053	3,899,973	6,972,026	2,082,018	332,981	2,415,002
18th July. . .	6,354,494	3,003,914	3,682,577	6,686,491	1,908,216	358,567	2,266,786
15th Aug. . .	6,354,494	2,959,671	3,520,844	6,480,517	1,887,457	376,335	2,263,795
12th Sept. . .	6,354,494	3,013,054	3,575,113	6,588,175	1,832,938	349,980	2,182,922
10th Oct. . .	6,354,494	3,183,979	4,067,575	7,251,555	1,894,453	345,812	2,240,267
7th Nov. . .	6,354,494	3,335,209	4,501,616	7,836,825	2,131,587	353,447	2,485,034
5th Dec. . .	6,354,494	3,273,326	4,566,204	7,839,530	2,253,124	316,467	2,569,595
1847.							
2d Jan. . .	6,354,494	3,151,117	4,364,295	7,515,414	2,264,266	343,740	2,608,012
30th Jan. . .	6,354,494	3,161,701	4,097,724	7,259,426	1,999,140	384,091	2,383,236
27th Feb. . .	6,354,494	3,153,353	3,871,694	7,030,053	1,795,792	334,389	2,179,184
27th March. .	6,354,494	3,123,516	3,531,218	6,704,736	1,710,405	403,693	2,114,100
24th April. .	6,354,494	3,163,465	3,357,768	6,521,234	1,547,530	445,010	1,992,545
22d May. . .	6,354,494	3,086,115	2,932,305	6,018,420	1,162,163	520,506	1,682,682
19th June. . .	6,354,494	2,835,513	2,629,436	5,464,951	1,028,579	520,299	1,548,882
17th July. . .	6,354,494	2,740,914	2,516,464	5,257,378	993,810	563,524	1,557,337
14th Aug. . .	6,354,494	2,670,376	2,426,869	5,097,245	969,590	597,627	1,567,221
11th Sept. . .	6,354,494	2,581,063	2,467,246	5,048,310	966,818	565,399	1,532,222
9th Oct. . .	6,354,494	2,636,692	2,718,920	5,355,613	1,006,068	511,643	1,517,712
6th Nov. . .	6,354,494	2,714,939	2,804,374	5,519,314	1,045,805	490,718	1,536,526
4th Dec. . .	6,354,494	2,697,237	2,725,502	5,322,741	1,087,074	503,692	1,590,770
1848.							
1st Jan. . .	6,354,494	2,502,756	2,693,357	5,196,116	1,112,955	505,800	1,618,760
29th Jan. . .	6,354,494	2,523,633	2,705,281	5,233,916	1,132,937	531,806	1,664,746
26th Feb. . .	6,354,494	2,510,595	2,709,483	5,220,080	1,141,032	562,846	1,706,882
25th March. .	6,354,494	2,505,565	2,601,829	5,107,395	1,095,722	584,711	1,680,437
22d April. . .	6,354,494	2,540,499	2,468,542	5,009,033	1,071,297	551,568	1,622,868
20th May. . .	6,354,494	2,561,459	2,279,211	4,840,672	1,087,162	501,318	1,588,485
		93,235,610	109,829,727	203,065,375	51,556,884	13,740,306	65,297,310

AVERAGES of the preceding Returns.

	Notes of £ 5 and upwards. £	Notes under £ 5. £	Total. £	Gold. £	Silver. £	Total Specie. £
Average for whole Period . . .	2,913,612	3,432,178	6,345,791	1,611,152	429,384	2,040,540
Average for the year 1846 . . .	3,121,259	4,144,461	7,265,721	2,106,004	334,283	2,440,286
Average for the year 1847 . . .	2,844,049	2,986,375	5,830,425	1,263,517	491,953	1,755,475
Average for the first Five Months of 1846 . . .	3,116,809	4,339,953	7,456,763	2,224,800	313,605	2,538,409
Average for the first Five Months of 1847 . . .	3,133,631	3,568,141	6,706,773	1,643,006	427,337	2,070,349
Average for the first Five Months of 1848 . . .	2,529,348	2,552,869	5,082,219	1,106,230	546,449	1,652,633

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The last Return of the Circulation of Ireland is as follows :—

AVERAGE CIRCULATION and COIN held by the IRISH BANKS during the four weeks ending Saturday, the 24th day of March, 1849.

Names of Banks.	Authorized Circulation.	Average Circulation during Four Weeks ending as above.			Average Amount of Gold & Silver Coin held during Four Weeks ending as above.
		£ 5 and upwards.	Under £ 5.	Total.	
Bank of Ireland	3,738,428	1,671,200	927,450	2,598,650	809,690
Provincial Bank	927,667	282,439	384,053	666,492	357,864
Belfast Bank	281,611	29,997	186,426	216,423	110,829
Northern Bank	243,440	23,287	143,251	171,538	94,086
Ulster Bank	311,079	19,025	181,371	200,396	57,847
National Bank	761,757	197,173	303,340	500,514	257,072
Carrick-on-Suir National Bank	21,094	3,883	6,073	9,956	3,738
Clonmel National Bank	66,428	17,501	20,274	37,775	17,731
Totals	6,354,494	2,244,510	2,157,238	4,401,750	1,708,867

We have noticed the different meanings given to the word “circulation” in England, since the passing of the Act of 1844. By the Act of 1845, it is enacted that this word shall have the following meaning in Scotland and Ireland :—

“Section 17. — And be it enacted, That all bank notes shall be deemed to be in circulation from the time the same shall have been issued from any banker, or any servant or agent of such banker, until the same shall have been actually returned to such banker, or some servant or agent of such banker.”

It may be useful to trace the effects of this Act (the Act of 1845, 8 & 9 Vict. c. 37) upon the state of banking in Ireland, as compared with the effects of similar enactments in Scotland and England.

1. The limitation of issue in Ireland, as in Scotland, is not absolute. The banks may issue beyond this limit, if they retain an amount of gold and silver equal to this excess. In England the prohibition is absolute. The probable effect will be, that these enactments will not lead to any permanent decrease of the circulation in Ireland or Scotland. The banks will merely import more gold when the circulation increases. In England it seems probable that the circulation will permanently decrease. Means will be employed to conduct banking operations with fewer notes, and these means will operate at all times, when the circulation is low, as well as when it is high.

The provision of the Act of 1845, which requires the banks of Scotland and of Ireland to keep an amount of gold equal to the notes in circulation beyond the fixed limits, tends, as we have observed, to restrict the granting of cash credits in Scotland. We doubt if it will have an equal effect in Ireland, simply because the cash-credits exist only to a limited extent. The Provincial Bank introduced the system in 1825; and no system could be better adapted to the state of the country. It would doubtless have greatly improved the condition and the habits of the people; but the iniquitous runs for gold which, at the suggestion of reckless

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politicians, took place in 1828, 1830, 1831, and 1833, compelled the banks to restrict their operations. Had the banks remained without molestation, the whole of the agricultural districts of Ireland would probably by this time have had the benefits of this system, with the same beneficial results which have been realized in Scotland.

2. In Ireland these measures will not tend to produce so great an increase of gold as in Scotland. In Scotland the banks, previous to the passing of the Act, kept but a small amount of gold. But in Ireland the banks, from their liabilities to runs, have always kept large deposits of gold. The amounts required by the Act are not larger than those formerly kept in their vaults. It appears from the returns, that the Bank of Ireland has recently kept a smaller amount than before the passing of the Act. Hence their means of affording accommodation are not diminished; and as they sustain no loss, they have no reason for increasing their charges. It may, however, confirm the Irish banks in their regulation not to give interest on current accounts. Nowhere throughout Ireland is this system now followed. The Bank of Ireland gives no interest on any class of lodgments. The joint-stock banks allow it only on deposit receipts. The reason assigned by the Scotch banks was that the operations on these accounts maintained in circulation a large amount of their notes. This will be no advantage if the bank must retain an amount of gold equal to this increase of notes in circulation.

3. The prohibition of new banks of issue has operated variously in the three countries. In Ireland it was beneficial; in Scotland it has been harmless; and in England it is injurious. The Agricultural Bank of Ireland caused considerable mischief. To prevent the recurrence of such evils, the most effectual way was to prohibit the formation of new banks of issue. Hereafter this restriction may become oppressive. Cork, and Limerick, and Waterford may become sufficiently wealthy to supply a banking capital, and may wish to form local banks. The local banks at Belfast have conferred great benefits on the north of Ireland. In Scotland the banks are sufficiently numerous; and, as they are allowed to unite, the authorized issue of notes is never likely to be less than it is. And although restrictions on banks are unsound in principle, they may not at present do any harm in Scotland. In England the restriction is injurious. Had we an unlimited power of forming new banks, many of those firms that now consist of not more than six partners would be merged in larger establishments. The number of banks would be less, — the amount of their issues would probably be less, — but they would attract a higher degree of public confidence, and their character and continuance would not be dependent upon the lives of individual partners.

4. Unions of Banks in either Ireland or Scotland are not very likely, nor perhaps desirable. The banks are large, have a respectable capital, and enjoy the public confidence. In England, many banks are small, and have small capitals. Union among them would be highly beneficial. Yet such is the waywardness of legislation, that the Acts of 1844 and 1845 give facilities to unions in Ireland and Scotland, and restrict them in England. In Ireland and Scotland two banks of issue may unite, and the united bank have the united circulation. In England, if two banks of

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issue, either of which has more than six partners, should unite, the circulation of one or both of these banks would be lost.

5. The Act passed in 1844, for the regulation of joint-stock banks in England, was extended in 1846 to Scotland and Ireland, with the omission of the clause that rendered the banks subject to the laws of bankruptcy. By a clause in these Acts, any bank for the formation of which proceedings had been taken before the 6th May, and which was actually in business on the 4th of July, must at the end of a year after the passing of the Act either retire from business or take a charter. The Preston Banking Company was in this case, and accordingly became a chartered bank. This is the only bank that has a charter under the Act in England. The Exchange Bank of Scotland was in a similar case, and on the 31st of December, 1846, became a chartered bank. There is no bank of this kind in Ireland.

From the extracts we have made from the Act at p. 308, it will be seen that no new joint-stock bank can be formed of a less nominal capital than £ 100,000, and half the capital must be paid up before the commencement of business; that the assets and liabilities of the company must be published once at least in every month; and that at least one fourth of the directors shall retire yearly, and shall not be eligible for reelection for at least twelve calendar months. As a specimen of the monthly returns required, we copy from the *London Gazette* the last return of the Preston Banking Company: —

*Account of the ASSETS and LIABILITIES of the PRESTON BANKING COMPANY, at
Preston, on Saturday the 7th day of April, 1849.*

ASSETS.	LIABILITIES.
Bills of Exchange, Bank Premises, Preliminary Expenses, Loans, &c., Cash in Bank, and Deposits in other Banking Establishments . . . £309,658 2 1	Capital stock . . . £100,000 0 0 Deposits, and other Liabilities . . . 206,899 4 3 Undivided Profits . . . 2,758 17 10
£309,658 2 1	£309,658 2 1

That provision of the act which requires one fourth of the directors to retire annually, and which declares them ineligible for election for one year, has been the subject of much discussion. The object of the Legislature appears to have been to prevent those evils which, in public companies of every kind, occasionally arise from the undue ascendancy of individual directors. Practically, it may be injurious or advantageous to a bank, according to circumstances. On the one hand, it may deprive a bank of the services of its most useful directors for one year. And on their return, they may be less useful than heretofore, from being less acquainted with the transactions that have taken place during their absence. In small country banks it might not be easy to find other parties to take the places of the directors who had thus retired. On the other hand, it has been contended that the number of the directors, and consequently their influence, would thus be virtually increased, — that, while on some occasions the most clever directors would be compelled to retire, at other times the least clever would retire, and their places might be better supplied, — that the retirement of even the most clever might call forth the energies of the

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others, and thus the talents of the whole might be improved, — that the plan tends to prevent the undue ascendancy of any individual director, or of any knots or parties of directors, for any length of time, — and that it is a convenient means of getting rid of an inefficient, injurious, or disagreeable director : for, as when he is once out, it would be easy for the board, if so disposed, to prevent his reelection. By the charter of the Bank of Ireland, fifteen directors are chosen annually, and not above two thirds of the directors of the preceding year can be reelected.

6. There is another difference between Scotland and Ireland with reference to banking operations, though it does not arise from the above-mentioned Act. At the time of the union between England and Ireland, Ireland had her debts as well as England. And although England became liable for these debts, the dividends continued to be paid, and the transfers made in Dublin. Hence Government stock is bought and sold there in the same way as in London. Besides this, any party may purchase stock in Ireland, and have it transferred to England, or the reverse. The plan is this : — Any person holding stock may go to the Bank of England, either personally or by power of attorney, and get a ticket that will authorize him to have the same amount of stock put in to his name in Ireland. The stock in England is then transferred to the commissioners for the reduction of the National Debt. He may go to the Bank of Ireland in Dublin and reverse the operation. Several Acts of Parliament have been passed with reference to this subject. The last is the 5th Geo. IV. c. 53, passed in the year 1824. When there is a great difference in the price of stocks in the two countries, operations of this kind may be very profitable.

This power of transferring government stock from one country to the other has a tendency to equalize the price in both countries. It also serves the purpose of a medium of exchange. A transmission of stock has the same effect in rectifying the exchanges as a transmission of gold. And, doubtless, the exchanges between England and foreign countries might, to a great degree, be adjusted in the same manner.

There is a Stock Exchange in Dublin similar to that of London, established for the purchase and sale of Government stock, bank stock, railway shares, &c. No person can transact business there unless he has obtained a license from the Lord Lieutenant. The number of these persons is at present about twenty-five. There are no time-bargains as in London. The borrowing and lending of money on stock are matters of daily occurrence. This is not always done through brokers. Individuals often effect these transactions directly with the banks. The general rule is, that the lender shall have a margin of 5 per cent. on the value of the stock, and shall be entitled to call for additional security whenever the market price falls below that difference.

The Exchanges between the Banks

Since the Act of 1845 — when other banks besides the Bank of Ireland acquired the power of issuing notes in Dublin — a system of clearing, or, as it is called, of exchanges, has been established, similar to that established in Edinburgh.

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The following is a copy of a clearing balance-sheet: —

BALANCES OF EXCHANGES WITH OTHER BANKS, ON _____, 1849.

DUE TO IT.			WITH	DUE BY IT.		
			Bank of Ireland.			
			Provincial Bank.			
			National Bank.			
			Northern Bank.			
			Belfast Bank.			
			Ulster Bank.			

Here we may observe that all the banks that clear are banks of issue ; and the clearing in Dublin includes all the banks of issue in Ireland, although three of these banks have their head quarters in Belfast. The Belfast banks clear by their agents. The Bank of Ireland is the agent for the Northern Bank and the Belfast Bank, and the Royal Bank of Ireland is the Dublin agent for the Bank of Ulster. It will also be observed that the Bank of Ireland — the chartered bank — is a member of the clearing ; and, in fact, the clearing is held daily, at two o'clock in one of the rooms of that establishment. The differences are paid daily, like those at Edinburgh, in exchequer bills. The following are the amounts required to be held by each bank : —

The Bank of Ireland,	£ 134,000
The Provincial Bank,	58,000
The National Bank,	48,000
The Northern Bank,	30,000
The Belfast Bank,	30,000
The Ulster Bank,	30,000
	<hr/>
	£ 330,000

Those banks in Dublin that are not banks of issue are not members of the clearing. Although the Royal Bank of Ireland attends the clearing as the agent of the Ulster Bank, it does not clear on its own account. All the non-issuing banks, however, have accounts with the Bank of Ireland, and pay into that establishment the cheques they may have on the other banks. The National Bank, though an issuing bank, and a member of the clearing, has no account with the Bank of Ireland.

This system of clearing appears to work very satisfactorily. The following is an extract from a letter I received a few days ago from an Irish banker, on the subject : —

* The settlement of our 'exchange balances' in Dublin, through the use of excheq-

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uer bills, works very well. The great evil, *previously*, was, that when these balances were of magnitude, Dublin was such a limited money market there was difficulty and expense in raising the needful quantity of Irish money for the purpose. If you anticipated the balance to be heavy against you, it was requisite to prepare some time *before*, and to have your funds lying idle and unproductive until the crisis arose. *Now*, we have exchequer bill interest for our surplus, and the power of replenishing our stock account whenever required by drawing on *London*, thus possessing the unbounded advantages of the greatest money market in the world. In point of fact, the arrangement has virtually changed the venue, and made *London* the actual and final place of settlement, through machinery worked in Dublin."

The following are the "Regulations for making exchanges between the several banks in Ireland, at Dublin, and for settling the balances of such exchanges, at Dublin; to take effect from and after the 8th day of December, 1845."

"1. The exchange shall be made daily at two o'clock, P. M.

"2. The payments of the balances shall be made in exchequer bills, except for the fractional parts of £ 500 which may be paid in the notes of the particular bank debtor.

"3. The exchequer bills shall be filled up in favor of the bank who may be the original holders, and shall bear the distinguishing mark of 'Dublin Exchange Bills,' showing that they belong to the Dublin exchanges, and are not intended to be used for any other purpose, and shall be received *at par*, with the interest that may be due when the transfer takes place.

"4. The amount of exchequer bills to be kept in the circle is fixed at £ 330,000, to be apportioned amongst the following banks in fixed sums, calculated in their respective amounts of circulation:—

NAMES OF BANKS.

Bank of Ireland.
Provincial Bank.

Northern Bank.
Belfast Bank.

Ulster Bank.
National Bank.

The sums being once fixed, each bank is to maintain its quota at all times, as herein-after provided.

"5. Nine tenths of the exchequer bills to be of £ 1,000, and one tenth of £ 500.

"6. The amount of exchequer bills held by each bank shall be stated every day in the Clearing-room.

"7. It is expedient that no bank shall be obliged permanently to hold more exchequer bills than a surplus of one third above the fixed amount, nor shall be allowed to reduce the amount held more than one third below the fixed amount; but as the exchequer bills will accumulate with some of the banks, and be required by others, it shall be imperative on the parties so situated to sell or buy exchequer bills; that is to say, the bank holding the greatest amount of exchequer bills shall be bound to sell to the bank in want of them, what may be required for the legitimate purposes of the exchanges; but it shall not be imperative on that party to sell a greater amount than what will reduce their stock to the original quota, and the purchaser shall be bound to take bills from those parties having the greatest proportionate amount of them beyond their respective original quota.

"8. The preceding regulations will tend in a great degree to equalize the amount of exchequer bills; but if exchequer bills shall nevertheless accumulate in the hands of a bank, so as to exceed their original quota by more than one third, that party shall have the power to call upon the party or parties holding the smallest amount in proportion to their quota to purchase the excess—that is to say, the excess above their quota—plus one third; but it shall not be imperative on any party to take more than is required to bring up their stock to two thirds of the original amount.

"In this way the fluctuation in the amount of exchequer bills amongst the different banks, which is an essential part of this arrangement, need never permanently exceed one third more or one third less than the original quota of each bank.

"The terms of purchase to be governed by the next regulation.

"9. The bank seeking to buy, or being called upon to buy, exchequer bills, from the bank or banks holding in excess of their quota, shall pay for the purchase by a Letter of Credit on their London correspondent, demandable on the fifth day after the date

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thereof, the purchaser paying 1s. 3d. per cent. on the amount of the Letter of Credit; or to pay the amount in gold in Dublin, at the option of the holders of the bills.

"10. The exchequer bills to be used for the Dublin exchanges are to be as nearly as possible divided into the two dates of March bills and June bills, which are to be exchanged at the Paymaster-General's Office here before due, and new ones to be provided, so as to keep up the stock in the circle; and no exchequer bills advertised to be paid are to be used in the exchanges.

"11. Each bank is to be always liable to the income-tax on the interest of its original quota of exchequer bills, and no more; and the exchequer bills advertised to be renewed are, within a week after the Government notice appears in the *Gazette*, to be given up to the original holders, upon receiving other bills not advertised, failing which, a Letter of Credit on London, demandable on the fifth day from its date, subject to the charge as stated in No. 9, is to be given, or the amount to be paid in gold, at the option of the holders of advertised bills.

"12. The exchanges are to be made at the Bank of Ireland, who undertake to pay those banks who are creditors in the exchange the exchequer bills or bills of exchange received from those banks who are debtors in the exchange; but the Bank of Ireland shall not be in any way responsible for the exchange transactions, or otherwise soever.

"13. The statement of the balances after they are struck to be sent to their respective banks from the Clearing-room, by their clerks; and the clerks of banks creditors to be in waiting to receive the amount due to them at two o'clock.

"14. Any bank a party to this agreement to have the power of withdrawing from it, and receiving back their exchequer bills at par, upon payment of them if needful, upon giving three months' notice.

"15. No bank a party to this arrangement shall, after the 8th of December, 1845, directly or through any agent, demand gold from or pay gold to any other bank or banks parties to this arrangement, except as hereinbefore provided, unless under special agreement between any two of the banks they mutually arrange to pay and receive a sum of gold.

"It is assumed that each bank always has its statutory amount of gold, and if any bank be either in excess or deficiency in that amount, the export or import of gold must be borne by the bank seeking to diminish or increase its stock.

"Any violation of this regulation after the 8th of December, 1845, to be considered a virtual withdrawal of the bank who departs from this rule.

"N. B. The foregoing arrangements are to be subject to such alterations and amendments as may be required and agreed on by the several banks parties thereto, after the plan shall be in operation, and its working effect ascertained."

THE IRISH BANKS. — ADDENDUM.

(From the *London Bankers' Almanac, Diary, and Year Book, for 1851.*)

Name.	Established.	Paid-up Capital.	Reserved Fund.	Fixed Issue.	No. of Branches.
		£	£	£	
1. Bank of Ireland,	1783	3,000,000	1,093,300	3,738,428	24
2. Belfast Banking Company,	1827	125,000	....	281,611	20
3. Hibernian Bank, Dublin,	1825	250,000	65,000	No Issue	3
4. National Bank of Ireland,	1835	450,000	50,105	761,757	48
5. Do. do. Clonmel,	1836	....	....	66,428	..
6. Do. do. Carrick-on-Suir, . . . . .	"	....	....	24,064	..
7. Northern Banking Company, Belfast,	1825	150,000	49,479	243,440	11
8. Provincial Bank,	1825	540,000	110,182	927,667	38
9. Royal Bank of Ireland,	1836	209,175	45,745	No Issue	Nona
10. Tipperary Joint Stock Bank,	1838	....	....	"	8
11. Ulster Banking Company,	1836	200,000	....	311,079	14

General Circulation.	Dec. 4, 1847.	Dec. 2, 1848.	Dec. 1, 1849.	Nov. 2, 1850.
	£	£	£	£
1. Bank of England,	20,151,404	18,702,000	18,156,000	19,787,000
2. Private Banks,	3,691,000	3,703,000	3,703,000	3,784,000
3. Joint-Stock Banks,	2,576,000	2,727,000	2,703,000	2,894,000
4. Irish Banks,	2,147,000	2,117,000	4,674,000	4,994,000
5. Scotch Banks,	2,732,000	3,570,000	3,500,000	3,318,000

SECTION VIII.—THE MORAL AND RELIGIOUS DUTIES
OF BANKING COMPANIES.*

"I implore the blessing of Divine Providence on our united efforts to encourage the industry and increase the comforts of my people, and to inculcate those Religious and Moral Principles which are the surest foundation of our security and happiness."—SPEECH FROM THE THRONE, Aug. 9, 1845.

"Property has its Duties as well as its Rights."—THE LATE MR. DRUMMOND.

THIS is the age of public companies. The principle of association is one of the most powerful agents of modern times. Whatever object we wish to accomplish, whether political or commercial, literary or religious, the first step is to form a society. Those joint-stock associations that involve the outlay of capital with a view to profit, are called public companies; and these form the subject of our present inquiries.

Public companies now occupy a distinguished place in our social economy. We receive our education in schools and colleges founded by public companies. We commence active life by opening an account with a banking company. We insure our lives and our property with an insurance company. We avail ourselves of docks, and harbours, and bridges, and canals, constructed by public companies. One company paves our streets, another supplies us with water, and a third enlightens us with gas. At home, numerous luxuries are brought within our reach by different companies. And if we wish to travel, there are railway companies, and steamboat companies, and navigation companies, ready to whirl us to every part of the earth. And when, after all this turmoil, we arrive at our journey's end, cemetery companies wait to receive our remains, and take charge of our bones.

The question that now claims our attention is, whether these powerful companies ought to be regarded as moral agents? that is, whether they are capable of virtuous and vicious actions, and, like individuals, are responsible to a Superior Power, who will reward or punish them according to their works.

In examining this question, we shall propose the following inquiries:—

First. Ought public companies, like individuals, to be regarded as moral agents, and therefore bound to perform moral and religious duties?

Second. What are those moral and religious duties which, as moral agents, public companies are bound to perform?

* This section was printed separately in the beginning of the year 1846, under the title of "The Moral and Religious Duties of Public Companies." It was designed only "for private distribution among such of the writer's friends as were in a position to influence the conduct of public companies." The favorable opinion of it expressed by some of those friends, has induced me to publish it as a portion of the present work.

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Third. What are those rewards or punishments which may be expected to follow the performance or non-performance of those duties?

FIRST. We inquire, ought public companies, like individuals, to be regarded as moral agents, and therefore bound to perform moral and religious duties?

We assume, at the commencement of our inquiries, that mankind, *as individuals*, are moral agents, having had laws laid down for their government by a Superior Being, to whom they are responsible for their actions. They who deny this proposition (if such there be) are not the persons for whose perusal these pages are designed; and therefore we will not ask them to accompany us any farther in our inquiries.

Assuming that mankind are responsible, as individuals, we propose to inquire whether public bodies, *as such*, are subject to the same responsibility. And here we would suggest the following considerations:—

1. Public companies are recognized as moral agents by the laws of the country in which they are established.

Public companies have, by law, the same rights as individuals; their property is protected by the same laws as that of individuals. Theft or fraud towards them is attended with the same punishment. They can sue and be sued in the same courts of justice. The military and naval forces protect them from external violence. They have the same commercial privileges, and can buy and sell and get gain. The improvements in the arts and sciences benefit them as well as individuals; and whatever new laws are passed by the Legislature confer upon them the same benefits as upon individual citizens. Having the same rights, they have necessarily the same duties as individuals. Equality of privilege implies equality of moral obligation. Property has its duties as well as its rights; and if the property which to-day is in the hands of an individual is transferred to-morrow into the possession of a thousand individuals, would it not carry with it the same amount of moral obligation? Would not the possession of the property demand from the company the same duties towards their servants, their fellow-citizens, their country, and their God, which it previously demanded from the individual? and would they not be equally bound to the exercise of justice, kindness, benevolence, and patriotism? The success of public companies is often at the expense of individuals. Ought they not, then, to be called upon to perform the social duties of the classes they have annihilated? On these principles the legislatures of all countries have imposed on public companies the same duties as on individuals; and in case of violations of its laws, have rendered them subject to the same penalties. They have thus been recognized as moral agents.

2. Public companies are capable of sustaining many social relations which are the foundation of moral duties.

The social relations of public companies are various. They may be buyers or sellers, debtors or creditors; they may employ others, or be employed themselves; they may be receivers or bestowers of favor; they may be friends or enemies, neighbours or strangers; they may be wealthy or indigent, in prosperity or adversity; they may be influential or otherwise; they may be plaintiffs or defendants in a court of law, or be the

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accusing or the accused party in a criminal court. Every relationship implies a corresponding duty ; and we contend that public companies, in any of these relative positions, are bound to perform the same duties which the same relations would impose upon individuals.

If it were necessary to quote Scripture, to show that relation implies corresponding duties, we might multiply quotations, — a few will suffice : —

“ Have we not all one father ? Hath not *one God created us* ? Why do we deal treacherously every man against his brother ? ” Mal. ii. 10.

“ A *son* honoreth his father, and a servant his master : if, then, I be a father, where is mine honor ? And if I be a master, where is my fear ? ” Mal. i. 6.

“ It is not for *kings* to drink wine, nor *princes* strong drink. ” Prov. xxxi. 4.

“ It was not an *enemy* that reproached me ; then I could have borne it : but it was thou, a man mine equal, my guide, and my acquaintance. ” Ps. lv. 12, 13.

“ Thou shalt neither vex a *stranger*, nor oppress him : for ye were strangers in the land of Egypt. ” Exod. xxii. 21.

“ Am I a Jew ? Thine own *nation* have delivered thee unto me. ” John xviii. 35.

“ Ye call me *Master* and *Lord* : and ye say well ; for so I am. If I, then, your Lord and Master, have washed your feet ; ye also ought to wash one another’s feet. ” John xiii. 13, 14.

“ There was a certain creditor which had two *debtors* : the one owed five hundred pence, and the other fifty. And when they had nothing to pay, he frankly forgave them both. Tell me, therefore, which of them will love him most. ” Luke vii. 41, 42.

“ Shouldst not thou also have had compassion on thy *fellow-servant*, even as I had pity on thee ? ” Matt. xviii. 33.

“ Which now of these three, thinkest thou, was *neighbour* to him that fell among thieves ? And he said, He that showed mercy on him. ” Luke x. 36.

“ Love as *brethren*. ” 1 Pet. iii. 8.

“ Sittest thou to *judge* me after the law, and commandest me to be smitten contrary to the law ? ” Acts xxiii. 3.

“ What hast thou that thou didst not receive ? now if *thou didst receive it*, why dost thou glory, as if thou hadst not received it ? ” 1 Cor. iv. 7.

“ If any man see thee *which hath knowledge* sit at meat in an idol’s temple, shall not the conscience of him which is weak be emboldened to eat those things which are offered to idols ; and through thy knowledge shall the weak brother perish ? ” 1 Cor. viii. 10, 11.

“ Art thou a *Master of Israel*, and knowest not these things ? ” John iii. 10.

“ Thou that teachest another, teachest not thou thyself ? ” Rom. ii. 21.

“ If thou, being a Jew, livest after the manner of the Gentiles, and not as do the Jews, why compellest thou the Gentiles to live as do the Jews ? ” Gal. ii. 14.

All these quotations refer to certain relations, and intimate certain duties. They serve to prove the general principle, that every relation implies a corresponding duty ; and hence we infer, that so far as public companies are capable of sustaining the same relations, they are bound to the performance of the same duties.

3. Public companies sustain those relations to the Deity which imply an obligation to the performance of moral and religious duties.

We have considered public companies in their relation to the community in which they are established ; in relations they may sustain to individual members of that or any other community ; we shall now consider them in their relation to the Deity. This forms the chief ground of moral and religious duty. Their relation to the Deity is a relation of dependence. It will not be denied that for every talent necessary to conduct their operations, and for all the success which may attend their exertions, public bodies are as dependent as individuals upon the kindness of Providence. Every good and every perfect gift cometh down from

the Father of Light. (James i. 17.) Their relation to the Deity is also a relation of obligation. They have received favors; as recipients of favors it is their duty to be grateful, and this duty is the more obligatory in proportion to the greatness and condescension of their Benefactor. Their relation to the Deity is also a relation of responsibility. They possess wealth, influence, power. Providence never bestows these talents, without holding the parties on whom they are bestowed responsible for their proper use. Those who duly improve the talents with which Providence has intrusted them, will have those talents increased, and be rewarded by the Divine approbation. Those who neglect to use these talents, are held responsible for their neglect, and will be punished for their inactivity. (Luke xix. 13-26.) We have no reason to suppose that public companies are excluded from the general rules of the Divine administration. As far, then, as they are endowed with the same talents as individuals, so far must they be considered as subject to the same responsibilities. From these considerations we infer, that public companies, like individuals, are moral agents.

4. Public companies are analogous to other collective bodies who are acknowledged to be moral agents.

It will not be denied that a *nation* may declare an *unjust* war, may carry it on in a *cruel* manner, may treat a conquered nation with *oppression*, or may conduct a treaty of peace with *duplicity* and *fraud*. Nor will it be denied, that a nation may become immoral by the extinction of moral feeling in its rulers, and throughout the population.

If, then, nations are capable of performing virtuous or vicious actions, then are they moral agents; to be rewarded or punished according to their actions. The doctrine of national responsibility is thus stated by Moses:—

“If ye will walk in my statutes, and keep my commandments, and do them; then I will give you rain in due season, and the land shall yield her increase, and the trees of the field shall yield their fruits, and your threshing shall reach unto the vintage, and the vintage shall reach unto the sowing time: and ye shall eat your bread to the full, and dwell in your land safely. And I will give peace in the land, and ye shall lie down, and none shall make you afraid; and I will rid evil beasts out of the land, neither shall the sword go through your land. And ye shall chase your enemies, and they shall fall before you by the sword. And I will set my tabernacle among you, and will be your God, and ye shall be my people.” Lev. xxvi. 3-12.

“But if ye will not hearken unto me, and will not do all these commandments, I also will do this unto you; I will appoint over you terror, consumption, and the burning ague, that shall consume the eyes, and cause sorrow of heart: and ye shall sow your seed in vain, for your enemies shall eat it; and I will set my face against you, and ye shall be slain before your enemies; they that hate you shall reign over you; and ye shall flee when none pursueth you. And if ye will not yet for all this hearken unto me, then I will punish you seven times more for your sins.” Lev. xxvi. 14-18; Deut. xxviii. 1-15; Neh. ix.; Jer. v. 23-28: vii. 5-7; xviii. 7-10; xxii. 2-9; Ezek. xxii; Matt. xxiii. 34-38.

The Jewish history presents the most remarkable instance on record of a nation being rewarded for their righteousness and punished for their disobedience. The nations they conquered were subjected to the same discipline, and it is expressly stated that those nations were punished for their sins. And those who have studied the philosophy of history will

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have observed, that nations have risen and fallen in political greatness as they have risen and fallen in their observance of the principles of morality and religion.

On this subject we might quote the language of historians, of moralists, of philosophers, and of theologians ; but we prefer citing the language of a monarch, especially as that monarch is our own. Surrounded by her nobles, her senators, her councillors, her judges, her generals, and her admirals, — Queen Victoria has declared from the throne, “ RELIGIOUS AND MORAL PRINCIPLES ARE THE SUREST FOUNDATION OF OUR SECURITY AND HAPPINESS.”

As, then, large bodies of men, like nations, are rewarded or punished in their collective capacity, for their virtuous or vicious actions, it would seem to follow, that smaller bodies of men, like public companies, may be subjected to the same moral discipline.

A public company, like a nation, is composed of a number of individuals who have a government for the regulation of their affairs, and whose acts are considered as the acts of the whole body. It is true that a public company is composed of a smaller number of persons than a nation, but that cannot affect the moral character of its actions. It is also true, that while a nation must always act through its government, a public company may, and often does, at the general meeting of its shareholders, act independently of its government ; but neither can this alter its moral agency ; for whether the form of government be aristocratical or democratical, the duties of a nation, or of a public company, remain the same.*

In opposition to this doctrine, it may be contended that, to render public bodies of men responsible in their collective capacity, would be destructive of personal or individual responsibility. But this is not the case. A nation may be punished for its national crimes, and yet the individual who may have caused these crimes may sustain an individual punishment. Thus Jeroboam, Ahab, and other kings of Israel, were individually punished, while, at the same time, the nation was also punished in its collective capacity. So a public company may be punished or rewarded for its actions, while, at the same time, any individual who caused these actions may also be personally rewarded or punished. It may, too, be objected, that if a public company is to be punished as such for its acts, then all the partners would share in the punishment, though many of them may have been quite innocent of the crime. To this we answer, that the same objection would apply to the doctrine of national responsibility.† It is not

* In this discussion we consider public companies as corporations, and inquire what duties they, as corporations, owe to other parties. The several duties of directors, officers, and shareholders, do not lie within the range of our inquiries.

† The logical reader need not be reminded, that in arguments from analogy it is a sufficient answer to an objection to show that the objection applies with equal force to the doctrine from which the analogy is drawn. Thus, in the text, the moral responsibility of nations is assumed as admitted by all parties, and therefore requiring no further proof. From the resemblance or analogy between the two cases, we infer the moral responsibility of public companies. It is therefore a sufficient answer to any objection against the latter doctrine, to show that it will equally apply to the former. Indeed, the more numerous the objections, if they will apply equally in both cases, the more the argument is strengthened ; as they are confirmatory of the soundness of the analogy.

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possible in the case of a large body of men for every individual to take part in its actions. The act of the authorized government, or of the majority of the members, must be regarded as the act of the whole community, and every individual must share in the prosperity or adversity resulting from such acts.

It may further be observed, that it is not inconsistent with the principles of the Divine government for persons to suffer for the wickedness, or to be rewarded for the righteousness, of those with whom they are socially connected: —

“I the Lord thy God am a jealous God, visiting the iniquity of the fathers upon the children unto the third and fourth generation of them that hate me; and showing mercy unto thousands of them that love me, and keep my commandments.” *Exod. xx. 5, 6.*

In our own day, we witness numerous instances of children possessing wealth, mental cultivation, and influence in society through the virtues of their parents. And also, not a few cases of children being reduced to poverty and degradation through the vices of their parents. Children suffer through the conduct of their parents, and parents through the conduct of their children; masters by their servants, and servants by their masters. In fact, it is not possible for any individual, however obscure, to be either virtuous or vicious without in some way promoting the happiness or misery of some person besides himself. It is, therefore, no valid objection to the doctrine of the moral responsibility of public companies that it renders all the partners answerable for the conduct of the majority. In fact, human governments act upon this principle. If any company were to incur penalties to the state, those penalties would be enforced against the whole property of the company, though many individual partners might be quite unconscious of the offence by which those penalties were incurred.

We might further confirm our doctrine by tracing the analogy between public companies and families.

“Pour out Thy fury upon the *families* that call not on Thy name.” *Jer. x. 25.*

“In that day I will perform against Eli all things I have spoken concerning *his house*; for I have told him that I will judge his house for ever, for the iniquity which he knoweth; because his sons made themselves vile and he restrained them not. And therefore I have sworn unto the house of Eli, that the iniquity of Eli’s house shall not be purged with sacrifice nor offering for ever.” *1 Sam. iii. 12–14.*

“And the ark of the Lord continued in the *house* of Obed-edom the Gittite three months: and the Lord blessed Obed-edom, and all his household; and it was told King David, saying, The Lord hath blessed the house of Obed-edom and all that pertaineth unto him, because of the ark of God.” *2 Sam. vi. 11, 12.*

“And Jeremiah said unto the house of the Rechabites, Thus saith the Lord of Hosts, the God of Israel; Because ye have obeyed the commandment of Jonadab your father, and kept all his precepts, and done according to all that he hath commanded you: therefore thus saith the Lord of Hosts, the God of Israel; Jonadab, the son of Rechab, shall not want a man to stand before me for ever.” *Jer. xxxv. 18, 19.*

We might adduce other declarations respecting the families of David, Jeroboam, Ahab, and others. It may be objected, that in these cases the families were rewarded or punished for the acts of the head of the family, and not for their own. It appears, however, that the families concurred in the actions of their head. When this was not the case, the

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exception is mentioned (1 Kings xiv. 13), and in others it is expressly stated that the reward or punishment of the family would in some degree depend upon their own conduct (Ps. lxxxix. 30-33).

The doctrine of collective responsibility in the present world might be still further confirmed by references to the punishments inflicted on particular cities. We will refer only to Nineveh and Jerusalem. In the former case an act of general humiliation obtained a remission, or at least a postponement, of the punishment due to their wickedness; and in the latter, their sin in rejecting the Gospel was visited with a signal punishment.

"The word of the Lord came unto Jonah, saying, Arise, go to Nineveh, that great city, and cry against it; for their wickedness is come up before me. . . . And he cried and said, Yet forty days, and Nineveh shall be overthrown. So the people of Nineveh believed God, and proclaimed a fast, and put on sackcloth, from the greatest of them even to the least of them. For word came unto the king of Nineveh, and he arose from his throne, and he laid his robe from him, and covered him with sackcloth, and sat in ashes. And he caused it to be proclaimed and published through Nineveh by the decree of the king and his nobles, saying, Let neither man nor beast, herd nor flock, taste any thing: let them not feed, nor drink water: but let man and beast be covered with sackcloth, and cry mightily unto God: yea, let them turn every one from his evil way, and from the violence that is in their hands. Who can tell if God will turn and repent, and turn away from his fierce anger, that we perish not? And God saw their works, that they turned from their evil way; and God repented of the evil that he had said that he would do unto them; and he did it not." Jonah i. 2; iii. 4-10.

"And when he was come near, he beheld the city, and wept over it, saying, If thou hadst known, even thou, at least in this thy day, the things which belong unto thy peace! but now they are hid from thine eyes. For the days shall come upon thee that thine enemies shall cut a trench about thee, and compass thee round, and keep thee in on every side, and shall lay thee even with the ground, and thy children within thee; and they shall not leave in thee one stone upon another; because thou knewest not the time of thy visitation." Luke xix. 41-44; Matt. xxiii. 37, 38.

Before quitting this branch of our inquiry, we may notice one practical application of the doctrine of collective responsibility. It is, that every individual member of a public body, whether a nation, a family, or a company, should induce that body to walk in the path of uprightness. For should they not do so, he will have to bear a portion of the collective punishment, though he may not personally have taken any active part in the crime (Matt. xxiv. 19).

SECONDLY. — Having shown that public companies are moral agents, and consequently bound to the performances of certain duties, we shall now inquire what are those duties which, as moral agents, public companies are bound to perform.

We shall not attempt to enumerate all these duties, but merely make a selection of the most important, and these we shall classify as, I. The duties of patriotism; II. The duties of social relationship; III. The duties of religion; IV. The duties of benevolence.

I. The duties of patriotism.

By the duties of patriotism we mean those duties which a public company owes to the state. Patriotism is the love of one's country, or, more properly, the love of one's nation. Public spirit is a willingness to sacrifice a portion of one's time, property, or comfort, to promote the happiness

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of one's fellow-citizens. These are duties obligatory on every citizen (Ps. cxxxvii.; Neh. i. 4; ii. 3; Rom. ix. 3), and consequently binding on every collective body of citizens. We repudiate the doctrine that a public company has only to attend to the interest of its proprietors, regardless of the effect its measures may have on the public weal. This would be a violation of duty on the part of an individual, and still more so on the part of a public company. For they have received from the Legislature special privileges to enable them to carry on their operations. These privileges have been granted with a view to the promotion of the public interest. If, then, these privileges are employed to the injury of the public, then is there not merely a violation of the duty of citizenship, but a further violation of duty by the misapplication of privileges conferred by the Legislature.

"Unto whomsoever much is given, of him shall much be required; and to whom men have committed much, of him they will ask the more." Luke xii. 48.

In proportion as the Legislature has conferred privileges, in such proportion it may be expected that they who have received these privileges will be active in promoting the public interest. The possession of privileges implies an increased obligation to perform certain duties.

The first of these duties is to obey the laws. A public company should abstain from smuggling and all other illicit proceedings, should make correct returns to government, and pay its fair proportion of the property-tax and of all other duties.

"Render unto Caesar the things which are Caesar's. Render to all their dues; tribute, to whom tribute is due; custom, to whom custom; fear, to whom fear; honor, to whom honor." Rom. xiii. 7.

Another duty is to enforce the laws upon others. Individuals sometimes abstain from prosecuting frauds upon themselves, from a misapplied feeling of compassion, an unwillingness to incur odium, or the fear of expense; but none of these feelings are sufficient to justify a public company in abstaining from this duty. Such a course is injurious to the public, by holding out inducements to the commission of similar crimes.

"Because sentence against an evil work is not executed speedily, therefore the heart of the sons of men is fully set in them to do evil." Eccles. viii. 11.

It is also the duty of public companies to support the cause of order and of due submission to constituted authorities, the rights of property, the supremacy of the law, the impartial administration of public justice, and to honor the constitutional government of the country, by whatever party it may be administered.

"Put them in mind to be subject to principalities and powers, to obey magistrates, to be ready to every good work, to speak evil of no man, to be no brawlers, but gentle, showing all meekness unto all men." Tit. iii. 1, 2.

Another duty is to conduct the affairs of the company on such a liberal, yet prudent scale of expense, as shall afford encouragement to the industry, trade, and fine arts of the country. Solomon says, —

"Prepare thy work without, and make it fit for thyself in the field, and afterwards build thy house." Prov. xxiv. 27.

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Which means, if we understand it rightly, "Get your money before you spend it; but having got it, live in a scale of expense corresponding to your means; afterwards build thy house." Individuals may be justified in living much within their means, in order to provide for old age, or for the proper settlement of their children; but public companies cannot have such motives for conducting their establishments with an unsuitable economy. But, above all, it is the duty of a public company to maintain, in all its transactions, a high-toned morality.

"Righteousness exalteth a nation." Prov. xiv. 34.

A departure from moral rectitude is altogether inexcusable in a public company. As all their actions are presumed to be the result of previous deliberations, they cannot plead in excuse, as individuals do, the power of passion, the impulse of the moment, or the force of habit. In proportion to the weakness or the absence of temptation, in such proportion would their conduct be the more criminal (Prov. vi. 30); while their wealth and influence would render their example more extensively injurious to the public morality. If parties of high station in society depart from the strict rule of duty, those of inferior station will deviate still more widely.

"If a ruler hearken to lies, all his servants are wicked." Prov. xxix. 12.

II. The duties of social relationship.

The social duties of public companies are the same as those of individuals who maintain the same relations. These duties are clearly stated in the Holy Scriptures. The Bible is a code of laws,—not a book of adjudged cases. It lays down the principles of human actions, but leaves the application of these principles to the dictates of reason and of conscience. We might read through the Bible, and not find a chapter headed "The Duties of Public Companies." In this case we endeavour to ascertain, in the first place, what are the duties of individuals. Then we take the principles of these duties and apply them to the acts of public companies. The principles of moral duty undergo no change; but the circumstances of human society are perpetually changing, and hence the correct application of these principles is sometimes a matter of difficulty. We shall here, in the first place, state in the language of Scripture the principles of some of our social relationships, and then make a practical application of them. There are, doubtless, other principles we have not mentioned, and those we have mentioned may be applied, and are applied, in practice, to many other cases besides those specified.

1. These are the things that ye shall do: "SPEAK YE EVERY MAN THE TRUTH to his neighbour, execute the judgment of peace and TRUTH in your gates, and let none of you imagine evil in your hearts against his neighbour, and *love no false oath*; for all these are things that I hate, saith the Lord." Zech. viii. 16, 17.

Insert no erroneous statements in your prospectus; make no incorrect calculations in order to deceive a parliamentary committee; circulate no unfounded rumors for the purpose of affecting the market value of your shares; and let your annual reports contain nothing but the truth.

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"Thou shalt not raise a false report; put not thy hand with the wicked, to be an unrighteous witness." Exod. xxiii. 1.

"The getting of treasures by a lying tongue is a vanity tossed to and fro of them that seek death." Prov. xxi. 6.

2. YE SHALL NOT STEAL, neither DEAL FALSELY, neither lie one to another." Lev. xix. 11.

Be honest and upright in all your dealings, let your charges be fair and just, and be sincere and straightforward in all your pecuniary transactions.

"Thou shalt not have in thy bag divers weights, a great and a small. Thou shalt not have in thine house divers measures, a great and a small. But thou shalt have a perfect and just weight, a perfect and just measure shalt thou have; that thy days may be lengthened in the land which the Lord thy God giveth thee." Deut. xxv. 13-15.

"What man is he that desireth life, and loveth many days, that he may see good? Keep thy tongue from evil, and thy lips from speaking guile. Depart from evil and do good; seek peace, and pursue it." Ps. xxxiv. 12-14; 1 Pet. iii. 10, 11.

All promises or engagements must be faithfully kept, even when the performance is injurious to the interests of the company.

"That which is gone out of thy lips, thou shalt keep and perform." Deut. xxiii. 23.

"He sweareth to his own hurt and changeth not." Ps. xv. 4.

The Israelites were punished with three years of famine, because one of their kings attempted to violate a treaty into which they had been drawn by false representations. Josh. iv. 25; 2 Sam. xxi. 1.

3. "If iniquity be in thy hand, put it far away, and let not wickedness dwell in thy tabernacles." Job. xi. 14.

If any of the servants of a public company are found wanting in integrity, they should immediately be dismissed, and on no account be reinstated. And if any of their professional agents act dishonestly, even to benefit the company, they should not be employed again.

"He that walketh in a perfect way, he shall serve me. He that worketh deceit shall not dwell within my house; he that telleth lies shall not tarry in my sight." Ps. ci. 6, 7.

Banking companies should not take the accounts of disreputable parties; and a fraudulent bankrupt should not be allowed to re-open his account, even should he plead that, although he had cheated all his other creditors, he had not cheated his banker.

"Shouldst thou help the ungodly, and love them that hate the Lord, therefore is wrath upon thee from before the Lord." 2 Chron. xix. 2.

"Depart from me, ye evil doers, for I will keep the commandments of my God." Ps. cxix. 115.

In making advances, banking companies should consider the moral character of the party with whom they deal, as an element of their security; and should more readily afford accommodation to parties having such a character than to those who are without it. "The wicked borroweth and payeth not again." Ps. xxxvii. 21.

Public companies should do nothing that would be considered dishonorable and disreputable in an individual member of the company. The

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moral character of an action cannot be changed by the number of persons who may commit it.

"Though hand join in hand, the wicked shall not go unpunished." Prov. xi. 21.

"Fire shall consume the tabernacles of bribery." Job xv. 34.

"Abstain from every appearance of evil." 1 Thess. v. 22.

Public companies should not listen to plans and schemes proposed for their adoption by parties known to be deficient in moral principle; nor should they hire agents to do what they would not do themselves.

"Evil communications corrupt good manners. 1 Cor. xv. 33.—Lord, who shall abide in thy tabernacle? who shall dwell in thy holy hill? He that walketh uprightly, and worketh righteousness, and speaketh the truth in his heart. He that backbiteth not with his tongue, nor doeth evil to his neighbour, nor taketh up a reproach against his neighbour. In whose eyes a vile person is contemned; but who honoreth them that fear the Lord." Ps. xv. 1-4.

4. "SPEAK NOT EVIL ONE OF ANOTHER." James iv. 11.

Public companies should not speak unjustly or unkind of each other. "Love as brethren." 1 Pet. iii. 8. But this does not prohibit their speaking the TRUTH of each other on proper occasions, even when the truth may be unpleasant or injurious to the party about whom it is spoken. It may sometimes become the duty of a respectable and honorable company to expose the fraudulent and deceitful practices of other companies: we are not forbidden to bear witness — but only *false* witness — against our neighbour. "By mercy and *truth* iniquity is purged." Prov. xvi. 6.

5. "Fear thou the Lord and the King, and *meddle not with them that are given to change.*" Prov. xxiv. 21.

A public company should not meddle with politics: nor let the influence of the company be employed to produce any political change. It should not too frequently change the principles and maxims of its own government. Fixed rules and regulations are to a public company what habits are to an individual: they insure a uniformity of conduct, and are equally essential to success. A steady adherence to fixed principles is the surest road to prosperity. A restless discontent with moderate profits, and an attempt to get suddenly rich, by reckless speculation, has been the ruin of many companies as well as individuals. Prov. xxviii. 20-22. Nor should they change too often the terms on which they transact business with the public, as that occasions much inconvenience. Nor change too frequently the rate of their dividend, as that may lead to gambling in their shares. Better pay always the same rate of dividend, and let the surplus profit of one year be placed to a reserved fund to supply the deficiencies of future years.

"A double-minded man is unstable in all his ways." James i. 8.

"Unstable as water, thou shalt not excel." Gen. xlix. 4.

"Trust in the Lord with all thine heart, and lean not unto thine own understanding. Be not wise in thine own eyes. Fear the Lord, and depart from evil." Prov. iii. 5-7.

6. "Thou shalt NOT AVENGE, nor bear any grudge against the children of thy people, but thou shalt *love thy neighbour as thyself.*" Lev. xix. 18.

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In cases of dispute or litigation, do not let your judgment be blinded by self-interest ; but judge impartially, and do unto others as, in a similar case, you would wish to be done unto yourself. Use no means of hostility, or annoyance, or rivalry towards other companies which you would condemn as unjust or unfair were they used against yourself. Recommend to others no schemes, or speculations, or investments, in which you would not be willing to take any share yourself. Give no false testimonials of character, so as to induce others to employ parties whom you would not employ yourself. If you have received favors from other companies, or from individuals, do not let your thankfulness evaporate in mere votes of thanks, or acclamations of applause, but render to others the same tokens of gratitude which, under the same circumstances, you would expect to receive yourself. "All things whatsoever ye would that men should do unto you, do ye even so to them, for this is the law and the prophets." Matt. vii. 12.

7. "*If thine enemy be hungry, give him bread to eat ; and if he be thirsty give him water to drink ; for thou shalt heap coals of fire upon his head, and the Lord will reward thee.*" Prov. xxv. 21, 22.

If there be a run on a banking company, the rival banking companies should render assistance, and not suffer a solvent bank to stop payment for want of temporary support. All hostile companies should render assistance to each other on the occurrence of calamities, to which all are liable.

"Rejoice not when thine enemy falleth, and let not thine heart be glad when he stumbleth, lest the Lord see it, and it displease him, and he turn away his wrath from him." Prov. xxiv. 17, 18 It is quite right to contend against our enemies, and to rejoice when we are successful. "I will extol thee, O Lord, for thou hast lifted me up, and hast not made my foes to rejoice over me." Ps. xxx. 1.

But it is not right to rejoice when the wrath of Providence permits them to fall into calamity, or to stumble into acts of vice or folly. A railway company should not rejoice when accidents occur on a rival line ; nor a banking company when a rival bank has made a large amount of bad debts ; nor an insurance society when extensive fires or numerous deaths have absorbed the funds of a rival society ; nor a mining association when accidents have damaged the mines belonging to a rival association.

"He that is glad at calamities shall not be unpunished." Prov. xvii. 5.

If your enemies treat you in a different manner, you should not imitate their example, but forgive them. "Recompense no man evil for evil." Rom. xii. 17.

"Let all bitterness, and wrath, and anger, and clamor, and evil speaking, be put away from you, with all malice ; and be ye kind one to another, tender-hearted, forgiving one another, even as God for Christ's sake hath forgiven you." Eph. iv. 31, 32.

8. "*If any man will sue thee at the law, and take away thy coat, let him have thy cloak also.*" Matt. v. 40.

(1.) If he have an equal claim to the coat and the cloak, and the law decides that he is justly entitled to the coat, give him the cloak also, though he do not claim it. Do what is just, though the law may not require it, and never have recourse to a legal quibble in order to baffle a just demand.

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"The thoughts of the righteous are right, but the counsels of the wicked are deceit." Prov. xii. 5.

(2.) Do not go to law without mature deliberation.

"Go not forth hastily to strive, lest thou know not what to do in the end thereof, when thy neighbour hath put thee to shame." Prov. xxv. 8.

(3.) Nor yet about matters of trifling importance which are no practical injury.

"Strive not with a man without cause, if he have done thee no harm." Prov. iii. 30.

(4.) Nor yet from vindictive motives.

"Say not thou, I will recompense evil, but wait on the Lord, and he shall save thee." Prov. xx. 22.

(5.) Never go to law about matters in which you have no direct interest.

"He that passeth by, and meddleth with strife belonging not to him, is like one that taketh a dog by the ears." Prov. xxvi. 17.

(6.) Do not go to law with a man merely because he is poor, and therefore unable to contend against your large capital; nor trespass on any man's rights because he cannot afford the expense of obtaining legal redress.

"Rob not the poor because he is poor, neither oppress the afflicted in the gate, for the Lord will plead their cause, and spoil the soul of those that spoiled them." Prov. xxii. 22, 23.

(7.) It will be wise and honorable to bring the suit to a close as soon as you can.

"It is an honor for a man to cease from strife, but every fool will be meddling." Prov. xx. 3.

(8.) If you reject a just and honorable compromise, you may lose the action, and you will then not only have to pay the expense of the suit, but you will have put yourself in a disreputable position.

"Agree with thine adversary quickly, while thou art in the way with him, lest at any time the adversary deliver thee to the judge, and the judge deliver thee to the officer, and thou be cast into prison. Thou shalt by no means come out thence till thou hast paid the uttermost farthing." Matt. vi. 25, 26.

(9.) Do not indulge a fondness for litigation.

"He loveth transgression that loveth strife, and he that exalteth his gate seeketh destruction." Prov. xvii. 19.

(10.) If you have to sue any party criminally, enforce the law with kindness and forbearance.

"Execute true judgment, and show mercy and compassion, every one to his brother." Zech. vii. 9.

It is quite possible to execute judgment and show mercy at the same time.

(11.) If called upon to arbitrate between contending parties, act justly and impartially.

"Thou shalt not respect the person of the poor, nor honor the person of the mighty; but in righteousness shalt thou judge thy neighbour." Lev. xix. 15. "Thou shalt not

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wrest judgment: thou shalt not respect persons: neither take a gift; for a gift doth blind the eyes of the wise, and pervert the words of the righteous." Deut. xvi. 19.

(12.) Public companies should employ none but honorable men to plead any cause in which they may be engaged. Advocates who are noted for legal quibbling, attacking private character, or browbeating witnesses, should not be engaged; and, more especially, the *standing counsel* of a public company should be a man of high moral and religious principle.

"What hast thou to do to declare my statutes? Thou givest thy mouth to evil, and thy tongue frameth deceit. Ps. l. 16-19. — They speak vanity every one with his neighbour: with flattering lips and with a double heart do they speak. The Lord shall cut off all flattering lips, and the tongue that speaketh proud things: who have said, With our tongue will we prevail; our lips are our own: who is Lord over us? Ps. xii. 2-4. — There is that speaketh like the piercings of a sword: but the tongue of the wise is health. The lip of truth shall be established for ever: but a lying tongue is but for a moment. Deceit is in the heart of them that imagine evil: but to the counsellors of peace is joy." Prov. xii. 18-20.

9. "Be ye all of one mind, having compassion one of another; love as brethren; be pitiful, be courteous." 1 Pet. iii. 8.

Be of one mind. — Public companies should entertain a good feeling towards each other, and endeavour to promote each other's interest. On proper occasions, they ought to unite their influence for the protection of their mutual rights.

Be courteous. — All the servants of the company who come into communication with the public should be instructed to behave with the utmost courtesy; and if they do so, they are entitled to courtesy in return. No shareholder should address a servant of the company as if he were his own individual servant; nor should he, in his transactions with the company, expect any undue attention or preference on account of his being a shareholder. When a company has occasion, in its annual report or public documents, to refer to the proceedings of other companies, it should always be done in the language of courtesy.

Be pitiful (full of pity). — In some cases, life policies become forfeited through the inability of the parties to pay the premiums, and sometimes by the party meeting his death in a way that deprives his relations of all claim on the company. In cases like these, insurance companies should take all the circumstances into consideration, and *be pitiful*. When an honest tradesman fails, and his creditors agree to take a composition, the banking company should not refuse to accept the terms proposed, but should *be pitiful*. When the servant of a company has inadvertently committed an error, not involving any moral delinquency, let him not be too hastily dismissed, and thus placed for life in a lower condition, but *be pitiful*. When servants of the company, from sickness or old age, have become less effective than formerly, let arrangements be made for rendering their duties proportionate to their diminished strength. Recollect they were once young and healthy, and you had then the benefit of their services, — do not treat them harshly now. *Be pitiful*.

10. "Use hospitality one to another, without grudging." 1 Pet. iv. 9.

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It is proper that public companies, on particular occasions, such, for example, as the opening of a new line by a railway company, should entertain their friends and others connected with the company. Also, that the companies should use hospitality "one towards another." Social intercourse tends to promote friendly feelings; and a friendly feeling between the principal officers and members of different companies tends to promote a friendly feeling between the companies themselves. It is also a good practice to give an annual dinner to all the servants of the company. The words "without grudging" may suggest that when the company can afford it, these entertainments should be given in a rather handsome style, without a too strict regard to economy. On these festive occasions, the humbler servants and others connected with the company should not be forgotten.

"When thou makest a feast, call the poor, the maimed, the lame, the blind. And thou shalt be blessed: for they cannot recompense thee; for thou shalt be recompensed at the resurrection of the just." Luke xiv. 13, 14.

11. "Thou shalt not oppress a stranger, for ye know the heart of a stranger, seeing ye were strangers in the land of Egypt." Exod. xxiii. 9.

The principle of this suggestion is, that we ought to have compassion for all those who are in the same difficulties in which we formerly were ourselves. Those whom Providence has raised to a higher station than they or their fathers occupied, should entertain kindly feelings towards those who belong to the class from whence they have sprung. The same rule applies to public companies. Those which have overcome the difficulties of their formation, and become prosperous, should not employ any vexatious or oppressive means of preventing the growth of similar companies. Knowing the anxieties they experienced from the difficulties they had to encounter, they should not inflict similar anxieties upon others. Moses often enforces the duty of kindness towards servants and strangers, by reminding the Israelites that they had been strangers and bondsmen in the land of Egypt. In questions of morals, it is generally a safe guide to a correct judgment, to put ourselves in the position of others, and to inquire what then would be our own feelings, and what kind of conduct we should wish, under such circumstances, to be adopted towards ourselves. In the decision of such cases, it usually appears that the cultivation of the moral feelings has improved the intellectual faculties. A sound heart is less likely to go astray than a clever head.

"The entrance of thy words giveth light: it giveth understanding unto the simple." Ps cxix. 130.

12. "Masters, give unto your servants that which is just and equal, knowing that ye also have a Master in heaven." Col. iv. 1.

Be just in your appointments, and select those who are the most worthy and the best qualified for the duties they will have to discharge. *Be just in the amount of your remuneration*; recollect that many of the servants of public companies have greater trusts and heavier responsibilities than the servants of individuals; and in this case, it is just and equal that they be rewarded accordingly. *Be just in your promotions*, and let not merit be supplanted by patronage or favoritism. *Be just in the*

quantity of labor you exact. Appoint a sufficient number of servants to do the work easily. Do not compel them to keep late hours; nor refuse reasonable holidays, for the purposes of health and recreation. *Be just in your pensions,* and let your aged and worn-out servants be treated with respect and liberality. *Be just in your reproofs.* "Forbearing threatening." Eph. vi. 9. Let not your censures nor your punishments be more than proportionate to the offence; and be as ready at all times to acknowledge the merits of your servants as to notice their defects.

All complaints, and all applications for increased remuneration or privileges, from the servants of public companies, should receive mature consideration; and all refusals should be given with kindness and courtesy. Job, when reduced to distress, consoled himself with the reflection, that in his former prosperity, when he was the greatest of all the men of the East, (Job xxxi. 13,) he had not despised the cause of his man-servant or his maid-servant when they contended with him. Moses enacted, "Thou shalt not muzzle the ox when he treadeth out the corn" (Deut. xxv. 4); and St. Paul has twice quoted this enactment (1 Cor. ix. 9; 1 Tim. v. 18); to inculcate the lesson that we ought not to stint the remuneration, nor even the enjoyments, of those by whose labor we profit. There is something touching in the following text:—"A certain centurion's servant, *who was dear unto him*, was sick, and ready to die." Luke vii. 2. And the Psalmist has given us a lovely exhibition of the Divine character in the words, "He hath pleasure in the prosperity of his servants." Psalm xxxv. 27.

13. "Exhort *servants to be obedient unto their own masters*, and to please them well in all things, not answering again, not purloining, but *showing all good fidelity*, that they may adorn the doctrine of God our Saviour in all things." Titus ii. 9, 10.

Public companies have a right to expect that their servants should not only be obedient during the official hours of business, but that at all times their conduct should be such as will be reputable to the company, attempting to "please them well in all things," "not answering again," not objecting to obey any lawful commands, "not purloining, but showing all good fidelity," not misapplying the property with which they are intrusted, not suffering the company to be defrauded or damaged by other parties. "That they may adorn the doctrine of God our Saviour in all things," the servants of a public company are exposed to observation and criticism, and its honorable reputation in the world will be affected by the estimate that may be formed of their moral and religious character.

Christian principle is of more importance than brilliant talents, and is more highly respected, even by the ungodly. The personal character of its servants is sometimes of greater value to a company than their personal services, and can less easily be replaced. They adorn the *doctrine* of Christianity when, from Christian motives, they *practise* those virtues which are suitable to their several stations. It gives us a pleasing idea of social life among the Hebrews, when we find that not only did the children address the Supreme Being as the God of their fathers, but the servants addressed Him as the God of their masters. "O Lord God of my master Abraham," said Eliezer of Damascus, "I pray Thee send me good

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speed this day, and show kindness unto my master Abraham." Gen. xxiv. 12. It is one of the duties of the servants of public companies to pray for the prosperity of the company whom they serve.

14. "Pure religion, and undefiled before God and the Father, is this, *to visit the fatherless and widows in their affliction*, and to keep himself unspotted from the world." James i. 27.

Establish a fund for the relief of the widows and children of the servants of the company. Such a fund is established by the East India Company and by the Bank of England, and why not by all large companies? Mining and railway companies should relieve the widows and children of those who meet with accidents in their respective works. The word *visit* implies that this relief should be generous and kind; and the words *in their affliction* may suggest that it ought to be prompt and immediate, not postponed till *after* their affliction.

15. "As we have opportunity, *let us do good unto all men*, especially unto them who are of the household of faith." Gal. v. 10.

Let all your arrangements be adapted to promote the public good, and more especially to benefit the moral and religious portion of the community.

"He that diligently seeketh good, procureth favor; but he that seeketh mischief, it shall come unto him." Prov. xi. 27.

Among the minor immoralities of the present age we are disposed to place the practice of smoking cigars, to the extent to which it is now carried. We refer to smoking in the streets, on board of steamboats, and in places of public resort, where the smoker can obtain his enjoyment only by annoying others, and thus violating the injunction, "Thou shalt love thy neighbour as thyself." The public are much indebted to the railway companies for prohibiting this practice in their carriages and establishments, and it is desirable that the steamboat companies should adopt similar regulations.

III. Having considered the duties of patriotism, and the duties of social relationship, we now come to the duties of religion.

By the duties of religion we mean the duties we owe directly to God. Those which are most applicable to public companies are, to acknowledge the hand of God, to promote his worship, and to reverence his Sabbaths.

To acknowledge the power and goodness of God, and our dependence on Him for all the blessings we possess, is not less the duty of a public company than it is of an individual. Moses cautions the Israelites against forgetfulness of God in the time of their prosperity:—

"Beware that thou forget not the Lord thy God, in not keeping his commandments, and his judgments, and his statutes, which I command thee this day: lest when thou hast eaten and art full, and hast built goodly houses and dwelt therein; and when thy herds and thy flocks multiply, and thy silver and thy gold is multiplied, and all that thou hast is multiplied; then thine heart be lifted up, and thou sayest in thine heart, My power and the might of mine hand hath gotten me this wealth. But thou shalt remember the Lord thy God: for it is he who gave thee power to get wealth." Deut. viii. 11–18.

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A neglect to acknowledge the hand of God is denounced as a heinous offence. The chief national crime charged against ancient Tyre by the prophet Ezekiel was, —

“By thy great wisdom and thy traffic thou hast increased thy riches, and thy heart is lifted up because of thy riches.” Ezek. xxviii. 5.

“If ye will not hear, and if ye will not lay it to heart, to give glory unto my name, saith the Lord of Hosts, I will even send a curse upon you, and I will curse your blessings.” Mal. ii. 2.

They who honor inferior agents, but forget the Cause of all their prosperity, are compared to the heathen fishermen who “sacrifice unto their net, and burn incense unto their drag, because by them their portion is fat, and their meat plenteous.” Hab. i. 16.

In ancient Rome the merchants and bankers had a public procession every year to the temple of Mercury, — who, by a strange association, was regarded as the god of merchants and of bankers, of thieves and of eloquence, — to offer sacrifices for the blessings they had received; and, as the satirists said, to ask forgiveness for all the frauds and tricks they had practised in their trade during the past year.

In the Middle Ages, the public companies then formed took mottoes, many of which were expressive of religious feelings. Thus, if we cast our eyes on our Royal Exchange, we shall see that the City motto is “Domine dirige Nos”; and that of the Mercers’ Company is “Honor Deo.” This would not be consistent with the manners of the present age, though we believe our public companies are as much disposed to implore Divine direction, and to render to God the honor of their success, as were any of the associations of former days. The way to obtain this direction, and to have occasion for rendering this honor, is to acknowledge the superintendence and kindness of God.

“In all thy ways acknowledge him, and he shall direct thy paths.” Prov. iii. 6.

“Call upon me in the day of trouble; I will deliver thee, and thou shalt glorify me.” Ps. l. 15.

We are not friendly to the introduction of religious matters, either by individuals or public bodies, into secular intercourse. We have no wish that our business meetings should commence with prayer, and conclude with the doxology: But surely there must be some way in which a public company may, consistently with our national character and the manners of the age, express its reliance on Divine Providence, and its gratitude for the favors that Providence has conferred. Is there no way in which a public company may virtually utter the sentiments so beautifully expressed by David: —

“David blessed the Lord before all the congregation: and said, Blessed be thou, Lord God of Israel, our Father, for ever and ever. Thine, O Lord, is the greatness, and the power, and the glory, and the victory, and the majesty; for all that is in the heaven and the earth is thine: thine is the kingdom, O Lord, and thou art exalted as head above all. Both riches and honor come of thee, and thou reignest over all; and in thine hand is power and might; and in thine hand it is to make great, and to give strength unto all. Now, therefore, our God, we thank thee, and praise thy glorious name. But who am I, and what is my people, that we should be able to offer so willingly after this sort; for all things come of thee, and of thine own have we given thee.” 1 Chron. xxix. 10 – 14.

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Another religious duty is, to support the public worship of God. Human legislation can enforce a small portion only of the moral and religious duties of mankind, and can never interfere until vice has grown into crime. Some writers on moral philosophy have divided the social rights of man into perfect and imperfect. The perfect rights can be enforced by human laws. The enactments referring to these rights are generally expressed in a negative form: "Thou shalt *not* kill"; "Thou shalt *not* steal." The imperfect rights cannot be enforced perfectly by human laws. These enactments are generally positive: "Honor thy father and thy mother"; "Thou shalt love thy neighbour as thyself." The fourth commandment has one of each kind: "Thou shalt do no manner of work"; "Remember the Sabbath day to keep it holy." Religion extends her sway, not only over all the actions of man, but over the motives and springs of action (Exod. xx. 17; Matt. xv. 19). Religious and moral principles implanted in the mind of the community are the only security for the performance of religious and moral duties, and the only means of acquiring the happiness which the performance of these duties tends to produce.

While we maintain, in the words of our motto, that "property has its duties as well as its rights," we maintain, with equal firmness, that property has its rights as well as its duties; and they who disregard its rights have no claim on the performance of its duties. But though the rights of property are as sacred as any other rights (Mark x. 19), yet they are the first to be disregarded among an immoral or an irreligious population. As a portion of the property class, therefore, public companies should support the extension of moral and religious principles, as a means of securing the safe and quiet enjoyment of their possessions. The maintenance of the public worship of God is one means of extending the knowledge and influence of these principles.

But apart from motives of interest, it is no less the duty of public companies, than of individuals, to promote the honor of their Creator and Benefactor; and to diffuse among others those blessings that attend the discharge of religious obligations.

Public companies should not only give to all their servants the means of attending public worship, but they should also contribute towards its support in the district in which their operations are carried on. The houses and the lands they occupy, if not held by them, would probably be occupied by others who would thus contribute. It is, therefore, as much their duty as it is the duty of the other parishioners to provide the means of religious instruction for their neighbours. Contributions towards this object, may not only be a suitable way of performing the duty to which we have referred, that of acknowledging their obligations to the Divine Being, and of extending those principles by which their own property is rendered more secure, but also of promoting the piety, and, consequently, the happiness of all the members of the community, and of discharging a duty to which is distinctly attached the promise of temporal prosperity.

"Bring ye all the tithes into the storehouse, that there may be meat in mine house, and prove me now herewith, said the Lord of Hosts, if I will not open you the win-

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dows of Heaven, and pour you out a blessing, that there shall not be room enough to receive it." Mal. iii. 10.

Another religious duty is to reverence the Sabbath-day.

Viewed only with reference to the present life, the institution of the Sabbath-day is one of the greatest blessings that religion has conferred upon man : —

"Remember the Sabbath-day to keep it holy : in it thou shalt not do any work." Exod. xx. 8-10.

It may be observed, that this is the only one of the ten commandments that we are expressly enjoined to enforce upon our households, and some of the most awful denunciations and threatenings in the Holy Scriptures are directed against the violation of the Sabbath-day. After the return from the Babylonish captivity, Nehemiah was the most anxious to enforce the due observance of the Sabbath : —

"In those days saw I in Judah some treading wine-presses on the Sabbath, and bringing in sheaves, and lading asses ; as also wine, grapes, and figs, and all manner of burdens, which they brought into Jerusalem on the Sabbath-day : and I testified against them in the day wherein they sold victuals. There dwelt men of Tyre also therein, which brought fish, and all manner of ware, and sold on the Sabbath unto the children of Judah, and in Jerusalem. Then I contended with the nobles of Judah, and said unto them, What evil thing is this that ye do, and profane the Sabbath-day ? Did not your fathers thus, and did not our God bring all this evil upon us and upon this city ? Yet ye bring more wrath upon Israel by profaning the Sabbath." Neh. xliii. 15-18.

The design of the Sabbath is to insure an interval of bodily repose, more especially for the humbler classes of society (Deut. v. 14) ; to change the current of thought, and thus to preserve the mental powers in a state of vigor and freshness ; to give leisure for reflection, and thus enable man to look above him, and around him, and within him, and consider his own character and destiny ; and to furnish opportunity for the discharge of those duties of piety, of kindness, and of benevolence, which devolve upon him as a moral and religious being. To express thankfulness for past mercies is specially named as one of the duties to be performed (Deut. v. 15) ; and these feelings are beautifully expressed in the 100th Psalm : —

"O be joyful in the Lord, all ye lands. Serve the Lord with gladness : and come before his presence with a song. Be ye sure that the Lord he is God : it is he that hath made us, and not we ourselves ; we are his people, and the sheep of his pasture. O go your way into his gates with thanksgiving, and into his courts with praise : be thankful unto him, and speak good of his name. For the Lord he is gracious : his mercy is everlasting ; and his truth endureth from generation to generation." Prayer-book translation.

The institution of the Sabbath-day must not be regarded as diminishing the produce of annual labor. By improving the habits and invigorating the mental powers, it increases the annual produce of labor, both in regard to nations and individuals.

The labor of the Sunday tends not to wealth. It is not the man who "adds Sunday to the week" of toil, who employs that holy day in attending to his ordinary business or in making up his books, — no, it is not he who is in the surest road to riches. It is the man who, when the Sun-

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day dawns, feels his mind expand with new and exhilarating and ennobling associations; who, accompanied by his family, appropriately attired, pays his morning homage in the temple of religion, and passes the remainder of the day in works of charity or piety, or in innocent relaxations corresponding with the sanctity of the day;—that is the man who, by improving the intellectual, the moral, and the social faculties of his mind, is adopting the surest means of acquiring wealth and respectability in the world.

They greatly err who imagine they are pleading the cause of the poor when they endeavour to remove the religious sanctions of the Sabbath-day. Should the mass of the population once entertain the impression that the observance of the Sunday is not required by religion, but is merely a matter of convenience or expediency, the poor will then have no security for cessation from toil. Reasons will soon be found, based apparently upon a regard for the poor, for increasing their labor. Let the Sunday be regarded no longer as a day of devotion, but merely as a day of pleasure, and it will soon become a day of toil.

Were the Sunday abolished, the poor man would receive no more wages for his seven days' labor than he now does for his six. His scale of comforts would be reduced, as he would have no occasion for a Sunday's attire. His opportunities of social intercourse and of moral improvement would be abolished. In this and in other cases it is shown that Religion, while she is the guide and solace of the wealthy, is pre-eminently the friend and guardian of the poor. (See a work just published, on *The Temporal Benefits of Christianity*, by Robert Blakey, Longman.)

If it be the duty of nations and of individuals to observe the Sabbath-day, it must equally be the duty of public companies. We read of no dispensation in their favor. The prohibition of any manner of work does not except the work of public companies. It is not said that all men-servants and maid-servants shall have rest except the servants of public companies. Nor are we taught that the violation of the Sabbath-day will bring down judgments upon nations, but none upon public companies.

But, as in domestic, so in social life, there are certain works of necessity, and many duties that must be performed, even on the Sabbath-day. (Isa. xlix. 15; Luke xiii. 15; xiv. 5.) In these cases a public company will act like the head of a religious family. All the secular duties that can be postponed will be postponed to the following day. Other duties will be performed in such portions of the day as will permit as many servants as possible to attend Divine service; and those servants who cannot be thus favored will be allowed other seasons for the performance of this duty. (We omit here the discussion of the question respecting Sunday travelling by railways, as inappropriate to the present work.)

We will not attempt to specify in detail all the works that may lawfully be performed by public companies, or by individuals, on the Sabbath-day. We will merely observe that, though "the Sabbath was made for man, and not man for the Sabbath" (Mark ii. 27), yet, at the same time, they who most religiously keep holy the Sabbath-day, may expect to share

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most largely of those spiritual and temporal benefits its institution was designed to bestow.

"If thou turn away thy foot from the Sabbath, from doing thy pleasure on my holy day; and call the Sabbath a delight, the holy of the Lord, honorable; and shalt honor him, not doing thine own ways, nor finding thine own pleasure, nor speaking thine own words: then shalt thou delight thyself in the Lord; and I will cause thee to ride upon the high places of the earth, and feed thee with the heritage of Jacob thy Father: for the mouth of the Lord hath spoken it." Isa. lviii. 13, 14.

IV. The last class of duties are the duties of benevolence.

By the duties of benevolence, we mean the duties we owe to the poor.

Throughout both the Old and the New Testament there is no duty more frequently enforced than this, — nor one, to the performance of which there is attached so many promises of temporal prosperity.

Moses, besides enacting many laws that had an especial bearing upon the welfare of the poor, enjoined, moreover, the duty of voluntary benevolence.

"And if thy brother be waxen poor, and fallen in decay with thee; then thou shalt relieve him: though he be a stranger, and a sojourner." Lev. xxv. 35.

"For the poor shall never cease out of the land: therefore I command thee, saying, Thou shalt open thy hand wide unto thy brother, to thy poor, and to thy needy, in thy land." Deut. xv. 11.

The devotional exercises of the Israelites abound with benedictions on those who pitied the poor.

"Blessed is he that considereth the poor: the Lord will deliver him in time of trouble. The Lord will preserve him, and keep him alive; and he shall be blessed upon the earth: and thou wilt not deliver him unto the will of his enemies. The Lord will strengthen him upon the bed of languishing: thou wilt make all his bed in his sickness." Ps. xli. 1, 2, 3.

Job said: —

"When the ear heard me, it blessed me; and when the eye saw me, it gave witness to me: because I relieved the poor that cried, and the fatherless, and him that had none to help him. The blessing of him that was ready to perish came upon me; and I caused the widow's heart to sing for joy." Job. xxix. 11–13.

In the Proverbs of Solomon, we read: —

"He that hath pity upon the poor lendeth unto the Lord; and that which he hath given will he pay him again." Prov. xix. 17.

"He that hath a bountiful eye shall be blessed; for he giveth of his bread to the poor." Prov. xxii. 9.

"He that hath mercy on the poor, happy is he." Prov. xiv. 21.

Seasons of festivity were celebrated by granting relief to the poor.

"The days wherein the Jews rested from their enemies, and the month which was turned unto them from sorrow to joy, and from mourning into a good day: that they should make them days of feasting and joy, and of sending portions one to another, and gifts to the poor." Esther ix. 22.

"This day is holy unto the Lord your God; mourn not, nor weep. Go your way, eat the fat and drink the sweet, and send portions unto them for whom nothing is prepared." Neh. viii. 9, 10.

In the New Testament, we read: —

"Give, and it shall be given unto you; good measure, pressed down, and shaken to-

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gether, and running over, shall men give into your bosom. For with the same measure that ye mete withal, it shall be measured to you again." Luke vi. 38.

"Charge them that are rich in this world, that they be not high-minded, nor trust in uncertain riches, but in the living God, who giveth us richly all things to enjoy; that they do good, that they be rich in good works, ready to distribute, willing to communicate; laying up in store for themselves a good foundation against the time to come, that they may lay hold on eternal life." 1 Tim. vi. 17-19.

"Whoso hath this world's goods, and seeth his brother have need, and shutteth up his bowels of compassion from him; how dwelleth the love of God in him?" 1 John iii. 17.

On the other hand, the most awful denunciations are directed against those who are unfeeling towards the poor:—

"He that oppresseth the poor reproacheth his Maker: but he that honoreth him hath mercy on the poor." Prov. xiv. 31.

"Whoso stoppeth his ears at the cry of the poor, he also shall cry himself, but shall not be heard." Prov. xxi. 13.

"He that oppresseth the poor, to increase his riches; and he that giveth to the rich, shall surely come to want." Prov. xxii. 16.

"He that giveth unto the poor shall not lack; but he that hideth his eyes shall have many a curse." Prov. xxviii. 27.

The rule by which public companies, as well as individuals, should regulate the amount of their contributions to religious and charitable purposes, is distinctly laid down in the Holy Scriptures,—it is their ability.

"Every man shall give as he is able, according to the blessing of the Lord thy God which he hath given thee." Deut. xvi. 17.

"Thou shalt truly tithe all the increase of thy seed, that the field bringeth forth year by year." Deut. xiv. 22.

"Upon the first day of the week let every one of you lay by him in store, as God hath prospered him." 1 Cor. xvi. 2.

The spirit of these instructions appears to be, that public companies should devote to religious and charitable purposes a certain proportion of their annual profits. What that proportion should be, must be determined by each individual company. All public companies have the advantage of knowing the exact amount of their annual gains.

"Be thou diligent to know the state of thy flocks, and look well to thy herds."

The principle of this injunction is, balance your books every half-year, in order to ascertain the state of your affairs, and the amount of your profits. In all cases we think it better that a fixed sum should be set apart at the commencement of the year, rather than the amount should be regulated by the caprice of the moment. We think it a good practice, even for individuals, and especially for young men commencing life, to determine, like Jacob (Gen. xxviii. 22), that a certain part of their future gains should be devoted to the cause of piety and benevolence. We are not friendly to religious vows; but we think every prudent man, (and public companies are presumed to be assemblies of prudent men,) should have fixed principles of action, and not let his discharge of pious and charitable duties depend on the impulse of the moment.

"Every man according as he purposeth in his heart, so let him give, not grudgingly or of necessity, for God loveth a cheerful giver." 2 Cor. ix. 7.

This language seems to imply, that the amount devoted to acts of

charity should be the result of previous deliberation, and that those who have fixed the amount by a previous purpose, give with more cheerfulness than those whose minds present on every occasion a conflict between the suggestions of liberality and those of selfishness, and who grudgingly comply with the solicitations of others, or give as a necessity imposed on them by their social position.

We are no advocates for indiscriminate charity. We think that men of business (and of such our public companies are usually composed) should show the same prudence in the exercise of their charity as they would on other occasions; they should endeavour to ascertain the way of doing the most good with equal means, and should look to the remote as well as to the immediate effects of their benevolence.

The first claim on their liberality, is that of the parish or district in which the company conducts its operations. As the locality, if not occupied by a company, would probably be occupied by individuals, the company is morally bound to subscribe to the local charities as liberally as would be done by individuals of equal wealth. Another claim is, that of charities whose object has some connection with the object of the company, or which would relieve the distress of parties employed by the company.

There are also extraordinary cases, wherein, by a sudden visitation of Providence, there is general distress; such as when, by a revulsion of trade, large masses of men are thrown out of employment; or the occurrence of famine, pestilence, or fire. In these cases the appeal is not made to us in our local or professional character, but to our national feeling, or to our common humanity; and then public companies have the same duties to perform as would fall upon individuals of equal wealth. On the other hand, there are occasions wherein private charity is more useful than public charity; and it may become the duty of public bodies, as well as of individuals, to exercise their benevolence in secret.*

But it is not necessary that kindness to the poor should always take the form of almsgiving. It is often better to prevent poverty than to relieve it, — to give employment rather than money, — to grant a loan, than to bestow alms. And sometimes public companies can so construct their business arrangements, as, without any pecuniary sacrifice, greatly to promote the interest and the comfort of the humbler classes of the community. Public companies should also coöperate in endeavouring to raise the social condition of the poor, by diminishing the hours of labor, by relieving women and children from unsuitable or oppressive toil, and by extending among the rising population the benefits of religious education.

* Matt. vi. 1-4. It appears to us, that one of the least useful modes of benefiting the poor is that of permanent endowments. It seems much better that £1,000 were distributed immediately to the poor, than that this sum were invested in the funds, and the interest doled out to the poor of distant generations. Let the benevolence of the present age relieve the distress of the present age; and let us hope that the benevolence of future ages will be equal to our own, and equally commensurate with the distress which may then exist. This immediate and broadcast charity seems to answer best to the scriptural description: "He hath dispersed abroad; he hath given to the poor; his righteousness — not his legacies — endureth for ever." Ps. cxii. 9; 2 Cor. ix. 9

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To remove the ignorance of the poor is a duty not less important than to relieve their distress.

The God of the Bible is described as "the God of knowledge" (1 Sam. ii. 3); and he has implanted in the minds of his creatures a faculty for acquiring and increasing knowledge. The exercise and improvement of this faculty is as much a duty as the improvement of any other talent with which we are intrusted. And from the claims of our common humanity, and from the relation we all sustain to the same Creator (Mal. ii. 10; Acts xvii. 26), it becomes our duty also to aid others in their pursuit of knowledge. The cultivation of our intellectual faculties does not diminish, but increases and refines our physical comforts, augments our social pleasure by imparting to each individual additional claims to regard, exalts our devotional feelings by unlocking more of the wisdom and goodness manifested in the works of God; and while the amiable, though injurious, aberrations of the moral and religious feelings are controlled by the judgment, the adjudications of reason on moral and religious questions are aided and guided by an instructed and enlightened conscience. It is quite possible for all these advantages to be extended to every individual in the community.

It is peculiarly the duty and the interest of the rich to educate the poor: the morals of their children, and the comfort of their families, depend much on the religious education of their servants. Among an educated population, the rights of property, — the effects of capital on the demand for labor, and the useful tendency of what are called luxuries, — and the necessity for order and subordination in the state, will be better understood. In proportion as the mass of the population are instructed will be the amount of national happiness and prosperity. Mighty is the monarch, great is the statesman, who can direct the united energies of a nation of cultivated minds. The education of the poor is a duty even more incumbent upon public companies than upon individuals. For it is to the inventions and improvements in science, often made by persons of the working class, that many of them owe their existence. Improvements in the application of steam have produced most of our present mining, and steamboat, and railway companies. Increased attention to statistics and the laws of mortality has multiplied our insurance companies. The general principle on which all our companies are founded, — the power of association, — is itself the offspring of modern science. Our public companies are triumphs of mind; they denote a high degree of civilization, and exhibit, most strikingly, the command of man over the elements of nature, as well as over the beasts of the field, and his power in compelling the inert properties of matter to become the active ministers of his will.

Great is the debt of gratitude due by all our public companies to the cause of mental cultivation; and when these companies are computing the annual gains which from this source they have acquired, let them not forget that the Genius of Mental Cultivation, supported by Benevolence, Patriotism, and Religion, and attended by crowds of the uninstructed children of the indigent, stands at their door, and humbly asks payment of a portion of this debt.

Let them in part discharge this debt, by seeing that the children of their laborers, and the people of the district, are all supplied with the

means of instruction. And afterwards, let them patronize those societies which have for their object the education of the children of the poor in other districts, and throughout the land. They should also, as far as it can be done with justice to others, give promotion to such of their servants as devote their leisure to the cultivation of their minds. The time has gone by when it was a reproach for a young man to be bookish, as he was supposed to abstract so much more time and attention from his official duties. It is now well known that the general cultivation of the intellectual powers, renders them more effective in every operation in which they may be exercised. It is a great advantage to a public company to have educated servants.* Their superior knowledge is always useful, — the mental discipline they have acquired improves their business habits, — and, possessing within themselves a constant source of enjoyment, they are the less likely to indulge in those expensive pleasures which are the usual temptation to neglect and dishonesty. Prov. iii. 13–15; iv. 7–9.

THIRDLY. — Having ascertained that public companies are moral agents, and having described the duties which, as moral agents, they are bound to perform, we shall now inquire what are the rewards or punishments which may be expected to follow the performance or non-performance of these duties.

A liability to rewards or punishments is essential to moral agency. To say that public companies are moral agents, but that they will not be rewarded or punished for any thing they may do, would be to assert a contradiction. In pursuing our inquiries, therefore, on this subject, we shall ask: — I. At what time will these rewards or punishments be received? II. What will be their nature? III. In what manner will they be applied? and IV. What are the effects these doctrines should produce on the conduct of public companies?

I. *When* will these rewards or punishments be bestowed?

From the established order of Providence, which causes virtue to be followed by happiness, and vice by misery (Prov. xi. 31), and from the dispositions implanted in the mind of man,† it may fairly be inferred,

* “It seems likely that next year a movement will be made in favor of universal education. I think it desirable that bank managers, and branch managers, should aid this movement in their respective localities, and should support generally, by their assistance and influence, the formation of literary and scientific institutions. This would afford an outlet for any surplus energy of character that might remain after the hours of business, and enable them to promote the public good, without taking part in political or religious discussions. They would acquire for themselves much pleasurable and profitable amusement, would add to the usefulness and respectability of their character in public estimation, and thus be enabled to increase the influence of their respective establishments.” — *A farther Extract from the Letter quoted at page 148.*

† Rom. ii. 14, 15. Some writers on moral philosophy have denied that man possesses those moral powers which are usually, but perhaps not very properly, called the *moral sense*; and, to support their sentiments, they have adduced the immoral practices of various nations in ancient and modern times; such as infanticide, the burning of widows, &c. They might as well have collected together all the erroneous opinions in the arts and sciences that have prevailed in different ages of the world, and then have *inferred*, that man is not endowed with reason.

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that the Creator and Governor of the world is a God of truth, and without iniquity, just and right is he (Deut. xxxii. 4). And as he also possesses omnipotent power, he will assuredly carry his dispositions and purposes into effect. But on comparing these attributes of the Supreme Governor of the universe with the actual destiny of the righteous and the wicked in the present world, we do not perceive that perfect union of virtue with happiness, and of vice with misery, which our contemplation of the Divine character would lead us to expect, and inquiring minds have often been puzzled for a solution of this difficulty.

"Righteous art thou, O Lord, when I plead with thee : yet let me talk with thee of thy judgments : wherefore doth the way of the wicked prosper ? wherefore are all they happy that deal very treacherously ?" Jer. xii. 1.

"Thou art of purer eyes than to behold evil, and canst not look on iniquity : wherefore (then) lookest thou upon them that deal treacherously, and holdest thy tongue when the wicked devoureth the man that is more righteous than he ?" Hab. i. 13.

"As for me, my feet were almost gone ; my steps had well nigh slipped. For I was envious at the foolish, when I saw the prosperity of the wicked." Ps. lxxiii. 2, 3.

The book of Job is a controversy upon this question.

The friends of Job maintained the proposition, that the destiny of men in the present life corresponded with their moral character.

"Remember, I pray thee, who ever perished, being innocent ? or where were the righteous cut off ? Even as I have seen, they that plough iniquity, and sow wickedness, reap the same." Job iv. 7, 8.

"Behold, God will not cast away a perfect man, neither will he help the evil doers." Job viii. 20.

"If thou wert pure and upright ; surely now he would awake for thee, and make the habitation of thy righteousness prosperous." Job viii. 6.

Job does not admit this proposition, but declares that sometimes "the tabernacles of robbers prosper, and they that provoke God are secure, into whose hand God bringeth abundantly." Job xii. 6.

In attempting the solution of this difficulty, it may be observed that, though not universally, yet generally, virtue and happiness, vice and misery, are associated in the dispensations of Providence in the present world. And, indeed, in all the moral sciences, the general propositions are subject to exceptions, — the moral sciences differing, in this respect, from the abstract and the physical sciences ; or, to use the language of logicians, there is a metaphysical, a physical, and a moral universality (Watts's *Logic*). Thus, though it be a general rule in political economy, that the diligent hand maketh rich, yet there are some diligent hands that do not become rich. And though it be a general rule in the science of education, that if you train up a child in the way he should go, when he is old he will not depart from it, yet there are some melancholy exceptions. And thus it is a general rule, that the righteous are prosperous and the wicked miserable, in the present world, subject only to those exceptions to which all general rules, in the science of morals, are liable. It may also be observed, that, when those exceptions do occur, the prosperity of the wicked, and the afflictions of the righteous, are only of a short duration (Ps. xxxiv. 19 ; Job xx. 5), and often even rectify themselves ; the afflictions of the righteous leading to prosperity, and the prosperity of the wicked leading to destruction. Gen. xlv. 7, 8 ; Prov. i. 32.

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It may, moreover, be contended, that outward circumstances are no certain index of happiness; that the wicked man, amid all his prosperity, may have a conscience that shall bite as an adder (Prov. xxiii. 32); or have some particular circumstance that shall give him so much annoyance as to nullify all the pleasures of his success. Esther v. 11-13. While, on the other hand, the righteous man may possess such inward sources of happiness, as shall enable him to rejoice even in tribulation. Heb. x. 34; Hab. iii. 17, 18.

But though these considerations may lighten, they do not remove the difficulty. It is not consistent with the teachings of our intellectual faculties, nor with the impulses of our moral feelings, that a Being of immaculate holiness and inflexible justice, and possessed, moreover, of omniscience and omnipotence, should permit, in even a single instance, that virtue should go unrewarded, and vice should remain unpunished. If the Creator of the world were not a righteous Being, he would not have implanted a love of righteousness in the minds of his creatures; and if he be a righteous Being, it is reasonable to expect that his righteousness should appear in all the operations of his moral government. And as we find this is not universally the case (Eccles. vii. 15; ix. 2), we are driven to the conclusion, that the present state is not a state of final retribution; that the enjoyments and the afflictions of the present life are intended chiefly as instruments of moral discipline; and that there is a future state of existence, in which the final distribution of rewards and punishments will take place. Thus reason concurs with revelation in teaching us that "it is appointed unto men once to die, and *after that* the judgment." Heb. ix. 27. The inequalities of the present world will thus be rectified in the next, and "every man will be rewarded according to his works." Prov. xxiv. 12.

But, however satisfactory this solution of the difficulty may be with regard to individuals, it does not apply to the case of public companies. Their existence commences and terminates in the present world, and they must be rewarded or punished in the present world, or they will not be punished or rewarded at all. In the latter case they are exempted from the moral government of God. With them virtue has no reward and vice no punishment. In reply to any exhortations to perform their moral and religious duties, they may exclaim, "What is the Almighty, that we should serve him, and what profit should we have if we pray unto him?" Job xxi. 15. "We know not the Lord, neither will we obey his voice." Exod. v. 2. As, however, we cannot suppose that God has exempted public companies from his moral government, we must infer that they are punished or rewarded in the present state.

This conclusion rests upon the same evidence as the argument we have just stated. In the former case the argument stands thus:—

The Righteous Governor of the world must reward the good and punish the wicked
But this is not done in the present world.

Therefore there must be a future world, in which this retribution will take place.

Our present argument stands thus:—

The Righteous Governor of the world must reward the good and punish the wicked, whether those actions are performed by public bodies, or private individuals.

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But the public companies who now perform good or evil actions will not exist in a future world.

Therefore public companies must be rewarded or punished in the present world.

The only way of resisting this argument is either to maintain that public companies are not moral agents, and therefore not responsible for their good or evil actions, or that they will exist in a future world. The former part of the alternative we think we have sufficiently refuted, — the latter is too wild to need refutation. Luke xx. 34–36. If the marriage contract shall then be dissolved, *à fortiori*, other contracts will also be dissolved.

All the promises and threatenings of Scripture made to nations or other bodies of men have a reference to the present world, as it is only in the present world that such collective bodies can, in their corporate capacity, be either punished or rewarded.

II. What is the nature of these rewards or punishments?

The object of a public company is to get wealth, — a few patriotic shareholders may have taken shares to benefit the country or the district that may be the field of its operations; but by far the greater number have no other object than to obtain a profitable employment for their capital. A public company, therefore, cannot be considered as prosperous, unless this object be obtained. If then a public company be rewarded, it must be by an increase of its wealth; if it be punished, it must be by a diminution of its wealth. It may be observed, that wealth, riches, and similar terms, have usually a relative meaning. Generally they denote the amount of property possessed by each individual in the highest classes of society. In this sense, wealthy people are comparatively few. But when it is said that “the diligent hand maketh rich,” it is not meant that every diligent man is placed at the top of society, — that would be impossible. It means only, that he possesses more property, and a larger portion of the comforts of life, than he would possess were he not diligent. He is rich, not, perchance, as compared with others, but as compared with his former self.

That wealth is an evil, is not the doctrine of Scripture nor of common sense.

In Scripture, wealth is distinctly called a blessing: —

“The Lord hath blessed my master greatly; and he is become great: and he hath given him flocks, and herds, and silver, and gold, and man-servants, and maid-servants, and camels.” Gen. xxiv. 35.

“Thou knowest how I have served thee, and how thy cattle was with me. For it was little which thou hadst before I came, and it is now increased unto a multitude, and the Lord hath blessed thee since my coming.” Gen. xxx. 29, 30

“The Lord blessed the latter end of Job more than his beginning: for he had fourteen thousand sheep, and six thousand camels, and a thousand yoke of oxen, and a thousand she-asses.” Job. xlii. 12.

The exhortation given in Scripture to the rich, to relieve the distress of the poor, must be founded on the principle that wealth is a blessing, and that poverty is an evil; for if the poor are more happy, more wise, and more virtuous than the rich, upon what ground can the rich be exhorted to relieve the poor?

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Even the cautions and admonitions given to the rich, assume the principle that wealth is a blessing, — “Better is the poor that walketh in his uprightness, than he that is perverse in his ways, though he be rich.” Prov. xxviii. 6. This asserts that wealth is not so great a blessing as moral rectitude; but still it assumes that wealth is a blessing. This will appear if we reverse the sentence; for though it will then be equally true, yet for want of this assumption it will appear ridiculous; — better is the rich that walketh in his uprightness, than he that is perverse in his ways, though he be poor.

“Let not the rich man glory in his riches.” Jer. ix. 23. “Riches make themselves wings and fly away as an eagle towards heaven.” Prov. xxiii. 5. “Charge them that are rich in this world, that they trust not in uncertain riches.” 1 Tim. vi. 17.

All these expressions imply that riches are blessings, and though they partake of the uncertainty of all earthly blessings, as health, friends, or reputation, yet still they are blessings to be received with thanksgiving; 1 Tim. iv. 3; and to be employed in promoting the honor of God; 2 Cor. viii. 7; and the good of mankind.

The Scriptures do not intimate that the personal enjoyment of wealth is necessarily sinful.

Wealth, like any other blessing, may be desired from improper motives, James iv. 3; and sought by improper means, Prov. xxviii. 22; 1 Tim. vi. 9; and such an ill regulated desire may become the root of all evil, 1 Tim. vi. 10. It is also true, that when wealth is obtained it has its temptations, and so have intellectual superiority, literary excellence, and even religious attainments. 2 Cor. xii. 7. But, it is not the honorable pursuit of wealth, nor the innocent enjoyment of its advantages, that constitutes a crime. “The ground of a certain rich man brought forth plentifully, and he said, I will pull down my barns and build greater, and there will I bestow my fruits, and will say to my soul, Take thine ease, eat, drink, and be merry.” Luke xii. 16–20. There was nothing wrong in this. His folly consisted in forgetfulness of the approach of death, and his neglect of preparation for a future state. And in regard to the other rich man, Luke xvi. 19, it was not his clothing himself in purple and fine linen, and faring sumptuously every day; it was his omitting to relieve the poor man who was laid at his gate, and his neglecting to hear Moses and the prophets, that brought him to the place of torment.

Not only is wealth represented in Scripture as a blessing, but it is a blessing promised as a reward to the practice of virtue and piety.

“All these blessings shall come on thee, and overtake thee, if thou shalt hearken unto the voice of the Lord thy God. — Blessed shalt thou be in the city, and blessed shalt thou be in the field. — Blessed shall be thy basket and thy store. The Lord shall command the blessing upon thee in thy storehouses, and in all that thou settest thine hand unto. — And the Lord shall make thee plenteous in goods, in the fruit of thy cattle, and in the fruit of thy ground. — The Lord shall open unto thee his good treasures, the heaven to give the rain unto thy land in his season, and to bless all the work of thine hand.” Deut. xxviii.

“Godliness is profitable unto all things, having promise of the life that now is, and of that which is to come. 1 Tim. iv. 8. — By humility and the fear of the Lord, are riches, honor, and life. Prov. xxii. 4. — The blessing of the Lord it maketh rich, and

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he addeth no sorrow therewith. Prov. x. 22. — That I may cause them that love me to inherit substance, and I will fill their treasures." Prov. viii. 21.

The virtues, upon the exercise of which wealth is most frequently promised, are diligence, righteousness, prudence, liberality in the cause of religion, and kindness to the poor.

1. Diligence in business : —

"The hand of the diligent maketh rich. Prov. x. 4. — The hand of the diligent shall bear rule, but the slothful shall be under tribute. Prov. xii. 24. — The soul of the diligent shall be made fat. Prov. xiii. 4. — The thoughts of the diligent tend only to plenteousness. Prov. xxi. 5. — Seest thou a man diligent in his business, he shall stand before kings, he shall not stand before mean men." Prov. xxii. 29.

"Wealth gotten by vanity shall be diminished, but he that gathereth by labor shall increase. Prov. xiii. 11. — Be thou diligent to know the state of thy flocks, and look well to thy herds." Prov. xxvii. 23.

2. Righteousness in social transactions : —

"The curse of the Lord is in the house of the wicked, but he blesseth the habitation of the just." Prov. iii. 33.

"He that walketh righteously, and speaketh uprightly; he that despiseth the gain of oppressions, that shaketh his hands from holding of bribes, that stoppeth his ears from hearing of blood, and shutteth his eyes from seeing evil; he shall dwell on high: his place of defence shall be the munitions of rocks: bread shall be given him; his water shall be sure." Isa. xxxiii. 15, 16.

"And if thy brother be sold unto thee, and serve thee six years; then, in the seventh year, thou shalt let him go free from thee. And when thou sendest him out free from thee, thou shalt not let him go away empty: thou shalt furnish him liberally out of thy flock, and out of thy floor, and out of thy wine-press: of that wherewith the Lord thy God hath blessed thee thou shalt give unto him. It shall not seem hard unto thee when thou sendest him away free from thee; for he hath been worth a double hired servant unto thee, in serving thee six years: and the Lord thy God shall bless thee in all that thou doest." Dent. xv. 12, 13, 14, 18.

3. Prudent habits : —

"He that loveth pleasure shall be a poor man; he that loveth wine and oil shall not be rich. Prov. xxi. 17. — The drunkard and the glutton shall come to poverty, and drowsiness shall clothe a man with rags. Prov. xxiii. 21. — He that tilleth his land shall be satisfied with bread, but he that followeth after vain persons shall have poverty enough." Prov. xxviii. 19.

"He that is slothful in his work is brother to him that is a great waster. Prov. xviii. 9. — A prudent man foreseeth the evil, and hideth himself; but the simple pass on and are punished. Prov. xxii. 3. — The sluggard will not plough by reason of the cold; therefore shall he beg in harvest, and have nothing. Prov. xx. 4. — Love not sleep, lest thou come to poverty. Open thine eyes and thou shalt be satisfied with bread. Prov. xx. 13. — In all labor there is profit: but the talk of the lips tendeth only to penury." Prov. xiv. 23.

4. Liberality in the cause of religion : —

"Honor the Lord with thy substance and with the first fruits of all thine increase; so shall thy barns be filled with plenty, and thy presses shall burst out with new wine." Prov. iii. 9, 10.

"Thou shalt truly tithe all the increase of thy seed, that the field bringeth forth year by year. And thou shalt eat before the Lord thy God, in the place in which he shall choose to place his name there, the tithe of thy corn, of thy wine, and of thine oil, and the firstlings of thy herds and of thy flocks; that thou mayst learn to fear the Lord thy God always. And the Levite, (because he hath no part or inheritance with thee,) and the stranger, and the fatherless, and the widow, which were within thy gates, shall

come, and shall eat and be satisfied; that the Lord thy God may bless thee in all the work of thy hand which thou doest." Deut. xiv. 22, 23, 29.

4. Kindness to the poor : —

"If there be among you a poor man of one of thy brethren within any of thy gates in thy land which the Lord thy God giveth thee, thou shalt not harden thine heart, nor shut thine hand from thy poor brother. Thou shalt surely give him, and thine heart shall not be grieved when thou givest unto him: because that for this thing the Lord thy God shall bless thee in all thy works and in all that thou puttest thine hand unto." Deut. xv. 7, 10.

These are the maxims that form the Scriptural art of getting rich. We often hear of other maxims, — such as, "Mind number one"; "A penny saved is a penny got"; "Take care of the pence, and the pounds will take care of themselves"; "Charity begins at home." But these maxims are not found among the proverbs of Solomon, nor does the Bible anywhere teach us that selfishness, niggardliness, and closefistedness, are the road to wealth. The Scriptural doctrine is the reverse of this : —

"The liberal soul shall be made fat: and he that watereth shall be watered also himself. Prov. xi. 25. — The liberal deviseth liberal things; and by liberal things shall he stand." Isa. xxxii. 8.

"There is that scattereth, and yet increaseth; and there is that withholdeth more than is meet, but it tendeth to poverty. Prov. xi. 24. — He which soweth sparingly, shall also reap sparingly; and he which soweth bountifully shall reap also bountifully." 2 Cor. ix. 6.

And even in those cases in which wealth is obtained by dishonorable means, that wealth is represented as soon departing from the possession of the individual, and passing into more worthy hands.

"He that oppresseth the poor to increase his riches, and he that giveth to the rich, shall surely come to want. Prov. xxii. 16. — The Lord will not suffer the soul of the righteous to famish: but he casteth away the substance of the wicked. Prov. x. 3. — He that by usury and unjust gain increaseth his substance, he shall gather it for him that will pity the poor." Prov. xxviii. 8.

"The wealth of the sinner is laid up for the just. Prov. xiii. 22. — God giveth to a man that is good in his sight wisdom, and knowledge, and joy: but to the sinner he giveth travail, to gather and to heap up, that he may give to him that is good before God." Eccles. ii. 26.

Thus we find, that, according to the political economy of the Bible, wealth is the gift of God, Eccles. v. 19; and it is bestowed by him upon those that fear God, and keep his commandments. This blessing is not always bestowed on righteous individuals, because with individuals this is not a state of final retribution; and they are promised in this world, only such a portion of the sunshine of prosperity, as shall conduce to the maturing of the excellencies of their character. Rom. viii. 28; 1 Cor. iii. 21. But with public companies this is a state of final retribution, and hence, with them righteousness will bring wealth, and wickedness will bring poverty.

III. In what manner are these rewards or punishments applied?

Rewards or punishments in the present life reach us as the natural effects of the virtues or vices which we practise, or they fall upon us by the special visitations of Divine Providence. There is a natural connection,

for instance, between the virtue of temperance and the blessing of health, — between industry and wealth, — between honesty and reputation ; and when we read, “He that tilleth his land shall be satisfied with bread,” Prov. xii. 11 ; “The hand of the diligent maketh rich,” Prov. x. 4, we see at once the connection between the virtues practised and the blessings that follow them.

But when we read, “Honor thy father and thy mother, that thy days may be long,” Exod. xx. 12 ; “Blessed is he that considereth the poor : the Lord will deliver him in time of trouble,” Ps. xli. 1 ; we do not so readily see the connection between the duty and the blessing. We do not see why filial piety should be connected with longevity, nor why considering the poor should produce deliverance from trouble. These, then, are to be considered as commandments “with promise.” Eph. vi. 2. The connection between the duty and the blessing depends on the promises of God. It may so be, that in the secret machinery of Providence the connection between the virtues and the blessings may be as natural and as necessary in these latter cases as in the former, but the connection is not so obvious to us, and therefore, when these blessings occur, we view them as coming directly from the special visitations of the Most High. It may also be observed that, even in the former cases, the connection is not so necessary or so constant as to supersede the necessity for the Divine blessing. For though industry has a tendency to produce wealth, yet, in many individual cases, it does not do so. In this, and in other moral laws, the Supreme Being appears to have left them open to exceptions, in order to keep up the sense of dependence and the feelings of devotion in the minds of his creatures.

It may be observed, in general, that a principle of righteous retaliation appears to be the prevailing principle of the Divine government.

The Scriptures abound with declarations of this principle : —

“I the Lord search the heart, I try the reins, even to give every man according to his ways, and according to the fruit of his doings. Jer. xvii. 10. — Whatever good thing any man doeth, the same shall he receive of the Lord.” Eph. vi. 8.

“For if ye forgive men their trespasses, your heavenly Father will also forgive you : but if ye forgive not men their trespasses, neither will your Father forgive your trespasses. Matt. vi. 14, 15. — He that doeth wrong shall receive for the wrong which he hath done. Col. iii. 25. — It is a righteous thing with God to recompense tribulation to them that trouble you.” 2 Thess. i. 6.

“Judge not, that ye be not judged. For with what judgment ye judge, ye shall be judged : and with what measure ye mete, it shall be measured to you again.” Matt. vii. 1, 2.

“Whoso rewardeth evil for good, evil shall not depart from his house. Prov. xvii. 13. — Whoso causeth the righteous to go astray in an evil way, he shall fall himself into his own pit. Prov. xxviii. 10. — They shall eat of the fruit of their own way, and be filled with their own devices.” Prov. i. 31.

This principle prevails throughout all the enactments of the Mosaic law.

“If a man cause a blemish in his neighbour ; as he hath done, so shall it be done to him. Lev. xxiv. 19. — Eye for eye, tooth for tooth, hand for hand, foot for foot. Exod. xxi. 24. — If a false witness rise up against any man to testify against him that which is wrong ; then shall ye do unto him, as he had thought to have done unto his brother. Deut. xix. 16, 19. — Whoso sheddeth man’s blood, by man shall his blood be shed.” Gen. ix. 6.

The denunciations of Scripture often refer to this principle.

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"Ye shall not afflict any widow, or fatherless child. If thou afflict them in anywise, and they cry at all unto me, I will surely hear their cry; and your wives shall be widows, and your children be fatherless. Exod. xxii. 22-24. — Because thou hast spoiled many nations, all the remnant of the people shall spoil thee. Hab. ii. 8. — The children also of Judah and the children of Jerusalem have ye sold unto the Grecians; and I will sell your sons and your daughters into the hand of the children of Judah, and they shall sell them to the Sabeans." Joel iii. 6, 8.

Many of the facts recorded in Scripture illustrate the application of this principle.

"But Adonibezek fled, and they pursued after him, and caught him, and cut off his thumbs, and his great toes; and Adonibezek said, Threescore and ten kings having their thumbs and their great toes cut off, gathered their meat under my table: as I have done, so God hath requited me." Judges i. 6, 7

"Samuel said unto Agag, As thy sword hath made women childless, so shall thy mother be childless among women. 1 Sam. xv. 33. — Elijah said to Ahab, Thus saith the Lord, In the place where dogs licked the blood of Naboth, shall dogs lick thy blood, even thine. 1 Kings xxi. 19. — They hanged Haman on the gallows that he had prepared for Mordecai." Esther vii. 10.

Providence seems to have implanted in the mind of man a desire of witnessing the application of this principle. An honorable feeling of gratification arises in virtuous minds, when the man of violence, of fraud, or oppression, has been punished in a way corresponding to his crime, and by means brought on by his own actions. Hence the Psalmist prays, "Let the wicked fall into their own nets, whilst that I withal escape." Ps. cxli. 10. "Let his net that he hath hid catch himself: into that very destruction let him fall." Ps. xxxv. 8. And he rejoices in witnessing the accomplishment of his desires. "The wicked is snared in the work of his own hands. The heathen are sunk down in the pit that they made: in the net which they hid is their own foot taken." Ps. ix. 15, 16. "They have digged a pit before me, into the midst whereof they are fallen themselves." Ps. lvii. 6.

We should infer from these principles, that, in the ordinary course of Providence, it will be natural to expect that public companies will receive their rewards or punishments as the result of their own actions. And this will more obviously be the case when prosperity is bestowed as the reward of diligence, righteousness, or prudence. But when success is bestowed as the reward of the duties of religion or benevolence, it may arise from sudden or unexpected causes. At the same time, we cannot lay down any rules for the Divine procedure. "He giveth not account of any of his matters." Job xxxiii. 13. "He will destroy the wisdom of the wise, and will bring to nothing the understanding of the prudent." 1 Cor. i. 19. He can unlock fresh sources of prosperity, or open new fountains of affliction whenever he thinks meet to do so for the moral discipline of his intelligent creation. "The Lord maketh poor and maketh rich: He bringeth low, and lifteth up." 1 Sam. ii. 7. "When he giveth quietness, who then can make trouble? and when he hideth his face, who then can behold him, whether it be done against a nation or against a man only?" Job lxxxiv. 29. With regard to public companies, as well as individuals, "He putteth down one, and setteth up another, and none can stay his hand, or say unto him, What doest

thou?" Ps. lxxv. 7; Dan. iv. 35. But though "clouds and darkness are round about him, yet righteousness and judgment are the habitation of his throne." Ps. xcvi. 2. And he will so arrange the dispensations of his providence, "that men shall say, Verily, there is a reward for the righteous; verily, there is a God that judgeth IN THE EARTH." Ps. lviii. 11.

IV. The effects which a liability to these rewards and punishments should produce on the conduct of public companies.

The doctrine we have endeavoured to establish is, that public companies are moral agents, capable of performing good and evil actions. That those which perform good actions will be rewarded, and those which perform evil actions will be punished; and that those rewards and punishments will consist generally in an increase or diminution of their wealth. We shall now notice the practical application which public companies may make of this doctrine.

A liability to be rewarded or punished according to their works should naturally induce public companies to act in such a way as to obtain the reward and to avoid the punishment. This is to be done by performing the duties we have described. Let them perform the duties they owe to their country, and to those with whom they are socially related; their duties to God and to the poor; and they may hope with confidence for those blessings which are promised to follow the performance of those duties.

1. Public companies should not use this doctrine uncharitably in the opinion they form of other companies which are not so prosperous as themselves.

Our doctrine does not teach us that success will *immediately*, in all cases, follow the performance of the duties we have described: nor that success will be unchecked or unalloyed. A few years is a short period in the history of a public company, and we can form no judgment from so short a period of its ultimate success. Nay, it may be that these few years of struggle and difficulty may be the foundation of its future greatness. We should, therefore, judge illogically and uncharitably, were we, from the temporary distress of a public company, to infer that it was deficient in the performance of its moral and religious duties. We know enough of the principles of the Divine government to be able to regulate our own conduct, but not enough to enable us to pass sentence on the conduct of others. Luke xiii. 1-5; Acts xxviii. 3-6.

2. Public companies should not envy other public companies, who may have neglected their moral and religious duties, and yet, for a time, may enjoy a high degree of apparent prosperity.

When large fortunes are suddenly acquired by comparatively slight deviations from the path of rectitude, even virtuous minds are almost tempted to regret their own purity, and to exclaim, "Verily, I have cleansed my heart in vain, and washed my hands in innocence. Behold the ungodly, who prosper in the world; they increase in riches." Ps. lxxiii. 12, 13. But we are cautioned against the indulgence of this disposition.

"Fret not thyself because of evil doers, neither be thou envious against the workers

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of iniquity. For they shall soon be cut down like the grass, and wither as the green herb. Rest in the Lord, and wait patiently for him: fret not thyself because of him who prospereth in his way, because of the man who bringeth wicked devices to pass. Fret not thyself in any wise to do evil; for evil doers shall be cut off: but those that wait upon the Lord, they shall inherit the earth. For yet a little while, and the wicked shall not be: yea, thou shalt diligently consider his place, and it shall not be." Ps. xxvii. 1-10.

"I have seen the wicked in great power, and spreading himself like a green bay-tree. Yet he passed away, and, lo, he was not: yea, I sought him, but he could not be found." Ps. xxvii. 35, 36.

3. Let those public companies which are not successful examine the duties we have described, one by one, and ascertain if they have performed them all. If they find they may justly be charged with omissions, then "put away the evil of your doings; cease to do evil; learn to do well; seek judgment, relieve the oppressed, judge the fatherless, plead for the poor. If ye be willing and obedient, ye shall eat of the fruit of the land." Isaiah i. 16, 18, 19. If they find they have performed all their duties, and yet are not successful, let them not "be weary in well-doing, for in due season they shall reap, if they faint not." Gal. vi. 9.

4. Let those public companies which are prosperous also examine how far they are chargeable with a neglect of any of their moral or religious duties. "If weighed in the balance, and found wanting" (Dan. v. 27), let them reflect on the transient nature of unsanctified prosperity.

"Behold, these are the ungodly, who prosper in the world; they increase in riches. Surely thou didst set them in slippery places: thou castedst them down into destruction. How are they brought into desolation as in a moment!" Ps. lxxiii. 12, 18, 19.

"Lo, this is the man that made not God his strength; but trusted in the abundance of his riches, and strengthened himself in his wickedness. God shall destroy thee for ever, he shall take thee away, and root thee out of the land of the living." Ps. lii. 5, 7.

If they find that they have strictly observed the duties of morality, but neglected those of religion and benevolence, let them recollect that, although it is said, "To do justice and judgment is more acceptable to the Lord than sacrifice" (Prov. xxi. 3), thus intimating that morality without religion is better than religion without morality, yet the union of both is essential to perfection of character and to the attainment of the highest degree of prosperity. If they have received those blessings which are promised to the exercised of diligence, righteousness, and prudence, let them endeavour to obtain those also which are promised to religion and benevolence. Let them not allow it to be said, that though "diligent in business" (Prov. xxii. 29), yet they have not "diligently followed every good work" (1 Tim. v. 10), that their righteousness refers only to temporal affairs, and though scrupulously observant of the rights of man, yet they have been unmindful of the rights of God (Deut. xxxii. 18); that their wisdom is only the wisdom of this world, and not the wisdom which cometh from above, which is "first pure, then peaceable, gentle, and easy to be entreated, full of mercy and good fruits" (James iii. 17); and that their splendid buildings are temples devoted to the service of Mammon (Matt. vi. 24), from whose altars no sacrifices of thanksgiving (Ps. cxvi. 17) ascend to the Most High, and at whose gates the poor and the needy stand and plead in vain. (Deut. xv. 7; Luke xvi. 21.)

As for those public companies that have performed all their moral and

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religious duties, and have obtained all the promised prosperity, they have only to indulge in the pleasing duties of gratitude and joy.

"Go thy way, eat thy bread with joy, and drink thy wine with a merry heart, for God now accepteth thy works." Eccles. ix. 7.

"Because the Lord thy God hath blessed thee in all thy increase, and in all the works of thine hands, therefore thou shalt surely rejoice." Deut. xvi. 15.

"Peace be within thy walls, and prosperity within thy palaces." Ps. cxxii. 7.

It affords pleasure to God (Ps. xxxv. 27) and to men (Prov. xi. 10; xxix. 2) to see piety and virtue in a state of prosperity.

And let those individuals who, from their talents, their wealth, or their position, have the power of influencing the conduct of public companies, recollect they are responsible for the exercise of the influence they possess; and although these companies will cease to exist with the present world, yet individuals will not. And those who from Christian motives may cause the companies with which they are connected to pay higher attention to their moral and religious duties, and who thus shall "turn many to righteousness" (Dan. xii. 3), may expect that, after they have served their generation (Acts xiii. 36), according to the will of God, they will be permitted, through Divine grace, to join the company of angels, and the spirits of just men made perfect (Heb. xii. 22, 23), whose names are written in the Lamb's Book of Life. Rev. xxi. 27.

SECTION IX. — TEN MINUTES' ADVICE ABOUT KEEPING A BANKER.*

"He that hearkeneth unto counsel is wise." — PROVERBS.

1. A **BANKER** is a man who has an open shop with proper counters, clerks, and books, for receiving other people's money in order to keep it safe, and return it upon demand.

2. The building or shop in which this business is carried on, is usually called in London a "Banking-house," but in Scotland, and in the country parts of England, it is called a "Bank." The word "bank" is also employed to denote the partnership or company who carry on the business of banking. Thus we say, the Bank of Scotland, the London and Westminster Bank, the Bank of Messrs. Coutts & Co.

3. When a company of this kind does not consist of more than six partners, it is called a "Private Bank"; but when the company consists of several hundred partners, it is called in Scotland a "Public Bank," and in England a "Joint-stock Bank."

4. A private bank is usually managed by one or more of the partners, and all the partners are styled bankers. A public bank is managed by a principal officer, who is usually styled a manager. In England a bank manager is not commonly called a banker; but in Scotland all managers of banks, and managers of branch banks, are called bankers. So mind, when I use the word "banker," you may apply it to either a private banker, or to a bank manager, whichever you please, as my observations will be as applicable to one as to the other. A banker is a man who carries on the business of banking; and whether he carries it on upon his own account, or as the agent of a public company, it appears to me to make no difference as to his claims to be called a banker.

5. It is the business of all these banks to receive other people's money, and to return it upon demand. And when any person puts money into one of these banks he is said to open an account with the bank; and when he has thus opened an account, and continues to put in and draw out money, he is said to have a current account, or, in London phraseology, "to keep a banker."

6. In Scotland almost every man has an account of some sort with a bank. The rich man in trade has an account because of the facility of conducting his operations; the rich man out of trade has an account because he gets interest upon his lodgments, and he keeps his money in the bank until he has an opportunity of investing it elsewhere at a better rate

* I published this Section separately, in the year 1839, under the title of "Ten Minutes' Advice to the Middle Class of People about Keeping a Banker. By a Practical Banker."

of interest. The middle class of people have an account because of the convenience of it, and because they obtain the discount of their bills, and perhaps loans, on giving two sureties, which are called cash credits. The poorer classes lodge their small savings in the bank, because of the security, and because they get interest on the sums which are lodged.

7. But in London the practice of keeping an account with a bank is by no means so common as in Scotland. The London banks are banks only for the rich. The bankers require that every person opening an account shall always have a sum to his credit; and if the sum thus kept is not what they deem sufficient, they will close the account. Hence the middle class of people in London have no banker at all, and the poorer class lodge their money in the savings banks, where they get interest, which they would not get from the London banker. It should also be stated, that besides keeping a sufficient balance, a party opening an account with a London banker is expected to give a certain sum every year to the clerks. This is called Christmas money, and the object is merely to enable the banker to pay a less salary to his clerks, at the expense of his customers.

8. But, within a few years, public or joint-stock banks have been established in London. These banks, or at least some of them, will allow you to open an account without promising to keep a large balance, or even any balance at all, provided you pay a small sum annually as a commission. This sum is fixed when you open the account, and it is about the same that you would be expected to give as Christmas-money to the clerks of a private bank. Hence people of moderate incomes, and those who can employ the whole of their capital in their business, are now able to keep a banker. These banks, too, give interest on deposits, whether the sums be large or small, as I shall hereafter explain.

9. The first public or joint-stock bank established in London was the London and Westminster Bank. This bank is in Lothbury, and it has branch establishments at No. 1 St. James's Square; No. 214 High Holborn; No. 3 Wellington Street, Borough; No. 87 High Street, White-chapel; and No. 4 Stratford Place, Oxford Street. The success of this bank has led to the formation of several others. You will observe, that all banks which have branches conduct their business on the same terms at the branches as they do at the central office.

10. Since, then, the Scotch system of banking is established in London, why should not the keeping of a banker be as general in London as in Scotland? I have stated, that, under the old system, those chiefly who were denied banking facilities were the middle class of people. Now, these people may be subdivided into two classes, — those who are engaged in trade, and those who are not. I shall address myself, in the first place, to the former class.

11. Now, I ask you, why don't you keep a banker? You say you have been in business several years, and have never kept one. Of course, if no banker would take your account, you could not do otherwise; but now there are bankers willing to take your account. But you say, you can do without a banker. Of course you can. The question is, not whether by possibility you can do without a banker, but whether you cannot do

better with one. But you reply, it would not be worth any banker's while to take your account. That is for his consideration, not for yours. The question for you to decide is, not whether your keeping a banker would be of use to him, but whether it would be of use to yourself. I shall point out to you some of the advantages.

12. In the first place, by keeping a banker your money will be lodged in a place of security. You have now £ 50 or £ 100, or perhaps sometimes £ 200, that you keep in your own house ; you take it up into your bedroom at night, and when you go out on Sunday you carry it in your pocket. Now, you may lose this money out of your pocket, the till may be robbed by your servants, or your house may be broken open by thieves, or your premises may take fire and the money may be burnt. But even should you escape LOSS, you cannot escape ANXIETY. When you have a little more money than usual, you have fears and apprehensions lest some accident should occur. Now, you will avoid all this trouble by keeping a banker.

13. The banker will not only take care of your money, but also of any thing else you commit to his charge. You can get a small tin box with your name painted on it, and into this box you can put your will, the lease of your house, policies of insurances, and any deeds or other documents that require particular care. You can send this box to your banker, who will take care of it for you ; and you can have it back whenever you like, and as often as you like. If your premises are insured, it is clearly improper to keep the policy on the premises : for if the house be burnt, the policy will be burnt too ; and where then is your evidence of claim upon the insurance office ?

14. Another advantage is the saving of time. When you receive money you will send it in a lump to the bank ; and when you pay away money you will draw cheques upon the bank. Now to draw a cheque takes up much less time than counting out the money that you have to pay, and perhaps sending out for change because you have not the exact sum. Besides, you sometimes hold bills which, when due, you have to send for payment ; now you can lodge these with your banker, who will present them for you. And when you accept bills, you will make them payable at your banker's, instead of making them payable at your own house. Now in all these cases there is a great saving of time ; and, besides, your bills, from being made payable at a bank, will be considered more respectable.

15. Another advantage of keeping a banker, is, that it will be a check upon your accounts. I need not speak to you, as a trader, of the importance of correct accounts. Your banker's book will be an authentic record of your cash transactions. If you make a mistake in your trade books, the banker's book will often lead to a detection of the error. If you have paid a sum of money, and the party denies having received it, you can refer to your banker's account, and produce your cheque, which is as good as a receipt. By means of a banker's account, you could trace your receipts and payments, even after a number of years had elapsed ; and hence disputed accounts could be readily adjusted, and error, arising from forgetfulness or oversight, be speedily rectified.

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16. I could mention several other reasons why you should keep a banker.* But what I have said will be enough to induce you to make a trial; and when you have once opened an account, you will find so much convenience from it, that you will require no further reasons to induce you to continue it. If it should not answer your expectations, you can, whenever you please, close it again.

17. Now, then, as you have made up your mind to keep a banker, the next thing is to determine at what bank you will open your account. On this point I must leave you to make your own choice. All the PUBLIC BANKS issue prospectuses, containing a list of their directors, the amount of their paid-up capital, the names of the bankers who superintend their respective establishments, and their rules for transacting business. You can get a prospectus from each bank, compare them together, and please your own fancy. But if you have no other grounds for preference, I advise you to open your account with the BANK or BRANCH BANK that is NEAREST TO YOUR OWN PLACE OF BUSINESS. You will often have to go or send to the bank, and if it be a great way off, much time will be lost, and you will at times be induced to forego some of the advantages of keeping a banker rather than send to so great a distance. On this account, let your banker be your neighbour. Recollect, time is money.

18. There is no difficulty in opening an account. You will enter the bank, and ask for the manager. Explain to him what you want to do. He will give you every information you may require, and you will receive, without charge, a small account book called a Pass-book, and a book of cheques. I advise you to keep these two books, when not in use, under your own lock and key.

19. You now require no further advice from me, as your banker will give you the most ample information respecting the way of conducting your account. Nevertheless, I may mention a point or two for your own government:—Do not depend entirely upon your banker's Pass-book, but keep also an account in a book of your own. Debit your banker with all cash you may pay into the bank, and credit him for all the cheques you may draw at the time you draw them. Send your Pass-book frequently to be made up at the bank; and when it returns, always compare it with your account-book. This will correct any mistake in the Pass-book. Besides some of your cheques may not be presented for payment until several days after they are drawn; and if, in the mean time, you take the balance of the banker's Pass-book, you will seem to have more ready cash than you actually possess, and this may lead you into unpleasant mistakes.

20. When you lodge any money at the bank, always place the total amount of the cash and your name, at full length, upon the outside of the parcel, or on a slip of paper. The cashier will then see at once if he agrees with your amount. This will save time, and prevent mistakes.

21. Be always open and straightforward with your banker. Do not

* The reasons assigned here have a reference chiefly to London banking. The operations of country banking are familiarly described in "The Anatomy and Philosophy of Banking; or, the True Character and Value of Banks briefly explained to the Middle Classes of Society. By James Strachan." (Groombridge, publisher.)

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represent yourself to be a richer man than you are ; do not discount with your banker any bills that are not likely to be PUNCTUALLY paid when due ; and should any be unpaid and returned to you, pay them yourself IMMEDIATELY. Do not attempt to OVERDRAW your account ; that is, do not draw cheques upon your banker for more money than you have in his hands, without first asking his consent ; and if you make him any promises, be sure that they be strictly performed. If you fail ONCE, the banker will hesitate before he trusts you again.

22. Should you be dissatisfied with any thing connected with your account, make your complaint to the BANKER himself, and not to the clerks. Let all your communications be made in PERSON, rather than by LETTER. But do not stay long at one interview. Make no observations about the weather or the news of the day. Proceed at once to the business you are come about, and when it is settled, retire. This will save your banker's time, and give him a favorable impression of your character as a man of business.

23. If you are in partnership, besides opening an account with your banker in the names of the firm, you should open a private account for yourself, that your personal affairs may be kept separate from those of the partnership. Or if you are in an extensive way of business, and have a large family, it is advisable that you open a separate account with your banker in the name of your wife, that your trade payments and your household expenses may not be mixed up together in the same account. This is a good way of ascertaining the exact amount of your family expenditure.

24. If you are appointed executor or assignee to an estate, or become treasurer to a public institution or charitable society, open a separate account with your banker for this office, and do not mix other people's moneys with your own. This will prevent mistakes and confusion in your accounts. These separate accounts may be kept still more distinct by being opened with another banker, or at another branch of the same bank.

25. There are a good many of the middle class of people who are not in trade, and I must now address them. Perhaps you are a clergyman, or a medical man, or you are in a public office, or are living on your rents or dividends. At all events, whatever you may be, I conclude you are not living beyond your means. If you are, I have not a word to say to you about keeping a banker ; you will soon, most likely, be within the keeping of a gaoler.

26. Several of the reasons I have given to the trader will also apply to you ; but there is one that applies with much greater force, — the tendency to insure accurate accounts. As you are not a man of business, I shall not advise you to keep an account of your receipts and your expenditure. I know you will do no such thing. Should you ever commence to do so, you will get tired before the end of the year, and throw the book aside. Now, if you keep a banker, he will keep your accounts for you ; his Pass-book will show you the state of your accounts. All the money you receive you must send to the bank, and all your payments must be made by cheques upon the bank. If you want pocket-money,

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draw a cheque for £ 5 or £ 10, payable to cash, but by no means disburse any money but through your banker. Your book will be balanced every half-year. You will then see the total amount of your receipts during the half year, and your various payments to the butcher, the baker, the tailor, &c. The names to which the cheques are made payable will show you for what purpose they were given; and you should write these names in a plain hand, that the clerks may copy them correctly in the Pass-book. Now, if you look through your book once every half year in this way, you will probably see occasion to introduce some useful reforms into your domestic expenditure. But if you are too lazy to do this, lend the book to your wife, and she will do it for you.

27. I shall now address another class of people. Perhaps you are a clerk, or a warehouseman, or a shopman, or a domestic servant. Well, you have no occasion to keep a banker; that is, you have no occasion to open a current account. But you have got a little money which you would like to put into a safe place, and upon which you would like to receive interest. Well, now, listen to me.

28. If the sum be under £ 10, or if the sum be above £ 10, and you are not likely to want it soon, put it into the savings banks; you will receive interest for it at the rate of about £ 3 for every £ 100 for a year. But mind, you can only put money into the savings bank at certain hours in the week, when the bank is open; and you cannot put in more than £ 30 in any one year, nor more than £ 150 altogether, and you will receive no interest for the fractional parts of a month, and you cannot draw out any money without giving notice beforehand.

29. If, then, your money is more than £ 10, and you have already lodged £ 30 this year in the savings bank, or £ 150 altogether, or if you will have occasion to draw out your money without giving notice, then lodge it in one of the public banks. These banks are open every week day from nine o'clock in the morning till four in the evening; they will take lodgments of money to any amount, and interest will be allowed from the day it is lodged until the day it is drawn out; and if the sum is under £ 1,000, no notice is required. For all sums lodged on interest the bankers give receipts called deposit receipts.

30. When you go to the bank to lodge upon interest any sum under £ 1,000, you need not inquire for the manager. Hand your money to any clerk you may see standing inside the counter, and ask for a deposit receipt. You will be requested (the first time you go) to write your name and address in a book which is kept for that purpose, and then the deposit receipt will be given to you without any delay.

31. Mind, this deposit receipt is not transferable; that is, you cannot lend it or give it to any body else. When you want the money, you must take it yourself to the bank, and ask the cashier to pay you the amount. You will then be requested to write your name on the back of the deposit receipt; the cashier will see that the signature corresponds with the signature you wrote in the book when you lodged the money, and will then pay you the amount, and keep the receipt.

32. Although you cannot lodge upon a deposit receipt a less sum in the first instance than £ 10, yet, having lodged that sum, you can make any

additions to it you please. Thus, if you wish to lodge £5 more, you can take your £5 note and your deposit receipt for £10 to the bank, and get a new receipt for £15. If, after having lodged £10, you wish to lodge £10 more, you can get a separate receipt for the second £10, or have a new receipt for £20, whichever you please; and, observe, whenever any addition is made to a former receipt, the old receipt is cancelled, and the interest due upon it is either paid, to you in money, or added to the amount of the new receipt, as may be most agreeable to yourself.

33. The interest allowed you by the bank will at present be at the rate of 2 per cent; that is to say, after the rate of £2 upon every £100 for a year.

34. Upon sums above £1,000 the interest allowed is sometimes more and sometimes less than 2 per cent., according to the value of money, that is, according to the rate at which the bankers can employ it again; and a few days' notice is usually required before the money is withdrawn; but upon sums under £1,000 the rate of interest varies less frequently, and they are always repayable upon demand.

35. You will be surprised to find how the desire of lodging money in a bank will grow upon you. When you had the money in your pocket, you were anxious to find reasons for spending it. When you have placed it in the bank, you will be anxious to find reasons for not spending it. All habits are formed or strengthened by repeated acts. The more money you lodge in the bank, the more you will desire to lodge. You will go on making additions, until, at last, you will probably have acquired a sum that shall lay the foundation of your advance to a higher station in society.

Index Reading.

SECTION X. — INDEX READING.

THIS book is now brought to a close. Our aim has been to put into it such matters as shall be practically useful. We have endeavoured to render it more useful by making an Index. We shall now point out the uses of this index.

By means of an index we can refer to any thing that we remember to have read. This facility of reference is a great advantage. Without it we may have to make a long search, and to read over a good many pages, before we find the page we want. An index is also useful in enabling us to call to mind those parts of a book that we have forgotten. After having read through a book, if we read through the index we shall be reminded of parts that would otherwise have escaped our recollection. And if we continue an occasional perusal of the index, we shall impress the whole substance of the book on our memory. An index will often bring together those parts of a book in which the same subject is discussed, and thus we shall obtain a fuller knowledge of the subject in all its bearings and relations than we should obtain by our reading without the index. An index may be employed as a means of self-examination. If the index does not suggest to the mind of a party the main ideas to which it refers, he must have read the book very inattentively, and he has yet more to learn respecting the subject discussed. The index will thus be a test of his attainments. To render the index more useful in this respect, I have made some of the references in an interrogative form. The index may thus be made to serve the purpose of a catechism. I advise the young student in practical banking to endeavour to answer these questions without referring to the book, and to answer them *aloud*. By this means he will impress the matter more deeply on his mind, and at the same time acquire a facility of expression.

An index may be rendered useful, not to those only who have read the book, but to those who have not read it, and who never will read it. The index contains a syllabus of the work. Under a single word is sometimes placed a summary of the facts and principles of a whole section. We may thus become acquainted with the substance of a book in a short space of time. It is true that in this *railway* mode of obtaining knowledge we must forego any gratification that might arise from the style or the illustrations. But the exercise would be profitable. In this way reviewers and others are able to acquire a good knowledge of a book, and to form a fair opinion of its merits, without reading many pages consecutively. But without an index this cannot be done, either so well or so rapidly. Intelligent men do not wish to read through a large book on a subject with which they are pretty well acquainted. They desire to refer to those points only on which their own information may be deficient, or on which

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they would desire to know the sentiments of the author. This they can easily do by means of an index. Men in business, too, must husband their time, and they can afford to read only those parts of a book which they deem the most interesting. They may be guided to those parts by means of an index.

There are certain states of body and of mind in which a man is not disposed for continuous reading. At such a time it is refreshing to saunter over an index. Some word may catch the eye, or some new idea be excited in the mind, and the faculties may be at once enlivened and invigorated. In this kind of intellectual loitering we may perchance pick up in our path a flower or a pebble that shall awaken the spirit of inquiry, set in motion our powers of investigation, and lead the mind into a course of agreeable and profitable meditation.

APPENDIX.

THE following paragraphs were omitted : —

To the statement of the affairs of the bank at page 173, add the following note : —

Those joint-stock banks that have branches make out a similar statement every week. It comprises the balances of the General Ledger at the head-office, and of that of each branch. The balance-sheets are printed, and are bound together beforehand, so as to form a book ; it is called the Statement Book, and is laid before the directors at their weekly meetings.

Add the following to the end of the section at page 183 : —

A balance-sheet of the affairs of a commercial house is made out in much the same way as that of a bank. The liabilities are placed on one side of the account, and the assets on the other. The items of which each side is composed will vary according to the nature and extent of the business. Many commercial balance sheets have unfortunately been recently brought under the notice of the public ; most of them, as well as the annual balance-sheets of some of the joint-stock banks may be found in the pages of the *Bankers' Magazine*.

THE BANK OF FRANCE.

The following evidence was given by the late Lord Ashburton, before the Committee of the House of Lords on Commercial Distress in 1848 : —

“ Have you any statement which you are desirous of making to the committee of information received by you relative to the proceedings of the Bank of France ?

“ Having observed that the committee were desirous of knowing something about the construction of the direction of the Bank of France, and of the conduct of that bank with respect to the several circumstances which have been matters of inquiry here connected with the Bank of England, I took the opportunity of making inquiry of a gentleman who was in London about ten days ago, who was a director of the Bank of France, and who would readily have come and given evidence himself if he had not been under the necessity of immediately returning to his own country. The inquiry I made of that gentleman related, first of all, to the construction of the direction of the Bank of France, and to what extent that direction was considered to work well. Then I made inquiry upon some of the points more immediately connected with the subject of our inquiries, namely, the conduct of the Bank of France with respect to its discounts,

with respect to the charge of interest, and with respect to any limitation or regulation that may be put upon the operations of the bank analogous to those which are imposed upon the transactions of our own bank. I will first of all state to the committee the facts with respect to the construction of the bank direction. The Bank of France, as probably most of your lordships know, has existed since 1803; it was established quite at the beginning of the power of Napoleon, and is constituted to this day under the same administration; and I think it may be stated, that under all the different variations of government, and the difficulties through which that country has passed, the management of the bank has been singularly successful and fortunate. There has been at no time any suspension of its payments or any material difficulties of any kind; and it seems to have answered perfectly well the object for which that bank, like our own, was instituted, namely, as a bank to give proper facilities to the circulation and commerce of the country, and at the same time to be the bankers of the Government, and to give every proper and legitimate facility to the operations of the Government. The direction is formed in this manner: There is, first of all, a governor, who has a house and 60,000 francs a year. There are then two sub-governors, each with 30,000 francs a year. The governor and sub-governors are both named by the Government, and, it is understood, removable by the Government, but in point of fact they never are removed. The present governor, Monsieur D'Argout, is the third governor of the Bank of France in forty-five years; so that it has been generally considered that, though legally removable by the Government, practically they have not been removed. Then, besides this governor and two sub-governors, there are three receivers-general. Your lordships are probably aware what the position of receivers-general is in the financial economy of France. Those three receivers-general are selected by the proprietors out of the class of the receivers-general; but the receivers-general are naturally more or less connected with the Government and finance department of the country. There are then three censors, who are to be elected from the 'Etat Industriel' of Paris, — what we should call the manufacturers of Paris. It is so regulated by the charter that they must be taken from that class of persons; but although they are called censors, I do not find that they have to perform any duty in the direction but the same which is performed by the other directors. Then in addition to those there are twelve ordinary directors, elected in the way in which our bank directors are elected.

“Are the directors generally paid?”

“None of them are paid but the governor and the two sub-governors, except that there is, I think, ten francs paid upon each attendance, merely for the purpose of marking the attendance of persons to their duty, but no amount of payment that can be of any importance. The twelve directors are taken from the body of merchants, bankers, and leading persons at Paris, at the discretion of the stockholders. That is the constitution of the Bank of France. Upon making inquiry of the gentleman I have mentioned as to the system of management, he told me that the real detail of the management of the bank is mainly with the two sub-govern-

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ors. They are stated to be very able men, thoroughly acquainted with all the circumstances of Paris, and all the persons likely to come to the bank for business. And, in short, upon them seems to devolve mainly the duty of attending to the details of the management of the bank ; and the directors themselves seem to be more checks upon those sub-governors, than to be themselves the managers of the bank. At the same time the directors have the power, which the directors of our bank have, to vote and to decide upon any measures that are before them. This gentleman stated to me that he considers the system to work well ; that there is no complaint of it. He does not find that the governor and sub-governors pursue any interests of the Government as against those of the bank and of trade, and the power which they have with the directors is a sufficient check ; in short, that they have nothing material to complain of in the administration. So much for the direction of the bank. Then I proceeded to inquire upon several points relating to the management of the affairs of the bank ; and first as to the charge of interest. The legal interest in France is 6 per cent. for moneyed securities, and 5 per cent. for land. It is limited, as the interest of this country is limited, to 5 per cent. for mortgages upon land, and 6 per cent. as the maximum of legal interest for any purpose. The transactions of the Bank of France may be said to have varied very little indeed from the limits of 4 to 5 per cent. ; they never exceed 5, and they have hardly ever been under 4. Under all circumstances, they have kept that equable rate of interest for their discounts and for their general transactions. I should state that the discounts of commercial paper by the Bank of France, so far from being insignificant, as has been intimated, are in reality very large. I take it that upon the average of years the discount of commercial paper by the Bank of France, is larger than the discount of commercial paper by the Bank of England. They make no distinction between any qualities of paper ; all paper is done at the same rate ; but they rather favor what they call the paper connected with the common trade of the place. Therefore a much larger portion of their discounts is in small bills in the regular trade of the place, upon which this gentleman says the loss was very insignificant indeed ; that paper usually having three signatures upon it, and being founded upon real business, is very seldom attended with any loss. What I have stated with respect to the interest that the Bank of France charge is in answer to a further question which I put, whether they regulated the amount of their discounts at all by demanding a higher rate of interest, as our bank has done of late years. Hé says they have not done that on any occasion ; that the rate has remained, as I have stated, uniform, — between 4 and 5 per cent., — and they never attempt to lessen the applications by asking a larger rate of interest.

“ Have they any legal minimum of interest ?

“ No ; they have no legal minimum of interest ; but when the interest comes down very low they consider that a symptom that bank accommodation is not required.

“ Though they do not alter the rate of interest, do not they vary from time to time the rules with respect to the *échance* of bills ?

"That I cannot state. Then he stated further that he has no recollection at any time of their refusing the common trade bills of the country. If they want to regulate the state of their affairs they do it by increasing or diminishing what they may hold of public securities, but they never reduce or materially vary their transactions with the merchants of the country.

"Then in what sense may they be said to favor one particular description of paper? You said that they rather favored one sort of paper. In what way do they favor it?

"They favor the paper of what I should call legitimate business, — paper connected with the real ordinary trade of the country, — in preference to the bills of stock-jobbers or large speculators.

"Then in order to give effect to that distinction they must reject paper in some cases?

"Undoubtedly; but it is the paper of ordinary trade that they never reject.

"Have they any rule as to the length of bills?

"I cannot state what their rules are in this respect. Then I have only lastly to state that there is no limitation as to their issues by law, nor is there any regulated limitation among themselves other than what arises from their own discretion from day to day as they come to manage their affairs.

"In the exercise of their discretion has not the fact been that the amount of bullion kept by the Bank of France has been very large?

"Yes; generally speaking, I believe it has. This gentleman stated to me that they had never at any time been under any apprehension as to their ability to pay their notes, though undoubtedly we, looking at the returns, should think that their condition was rather questionable.

"You cannot state what proportion the amount of bullion in their hands has generally borne to the number of notes they have issued?

"I am not able to answer that myself; but a return is regularly made; it is very easy to know that.

"Do you know in point of fact that though it is called the Bank of France, their notes were not current throughout the whole of France?

"Yes; their circulation is very much confined to Paris; but at the same time, nine tenths of the business of France, like the business in our own country, is done by bills upon Paris, and Paris really is the heart of the whole circulation. I have only further to state, that of late years they have had branch banks, as our bank has had; but this gentleman says the directory did not think favorably of the working of those branch banks; he thought that they had not been profitable to them, and that they had rather disturbed their circulation.

"During the greater part of the time to which your observations have applied has not the law confined them to a minimum note of 500 francs?

"Yes; it is only lately that they have come to notes of 100 francs.

"Did he state what amount of securities they have generally held; what we should call Government securities?

"That is stated in the returns which are periodically published.

"Supposing that the natural value of money in France was 6 per cent.

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and that the ordinary market rate of interest was 6 per cent., does your information enable you to state to the committee what the Bank of France would do in order to answer the demands which must be made upon it if it maintained its own rate of discount at between 4 and 5 per cent. ?

"I should think that if the Bank of France limited their interest to 5 per cent. they would, except under very extraordinary circumstances, guide and regulate the general interest of the place, and that under those circumstances they would do the whole of the real commercial paper that is presented. What is more singular, the banks in America never go beyond the legal interest. None of the banks in America discount at a higher interest than 6 per. cent., although the market rate of interest in that country is very often 10, 15, and 18 per cent.

"What check do they apply ? If they do not impose a restriction by raising the rate of interest, must not they impose some other restriction, either in the date of the bills or in the securities ?

"No, it does not necessarily follow ; because those variations in the interest do not materially alter the real business connected with drafts from Lyons and Havre and other places, and the paper connected with the real business of the country. If Mr. Rothschild or any great person were to send them in a mass of paper, for the purpose of taking advantage of the rate of interest, they would not do it for him. When I say they do all the paper sent in, I should explain that they distinctly make that condition, that it shall be paper resulting from the real trade of the country, and that seldom materially varies.

"What is the nature of their relation with the Government ? Do they receive the Government deposits and securities ?

"It is as nearly as possible the same as that of our Bank of England.

"Do they pay the dividends on the French rentes ?

"No ; they have nothing to do with the dividends.

"They are not liable to be called upon by the Government to advance money for that particular purpose ?

"Yes ; if the Government want assistance they stand exactly in that respect in the same relation that our bank do to our Government.

"Does their charter require them to make advances of that kind when demanded, or is it optional ?

"It is optional.

"They may act just as they do with the general trade of the country ?

"Yes. They stand in exactly the same relation to the Government as the Bank of England does, except that they have nothing to do with the payment of the dividends ; but they hold the deposits of the Government, and in fact are the bankers of the Government.

"Is it optional with them to pay their notes in gold or in silver *ad libitum* ?

"It is optional to pay either in gold or in silver, but of course they pay only in silver at present ; there is a premium at present upon gold of about 8 per cent., which has not been known for a long time.

"What has been the lowest denomination of note that they issue ?

"I think it is now 100 francs.

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"What is it in ordinary circumstances ?

"Until lately there were no notes under 500 francs.

"Will you explain a little more fully the statement you made as to the amount of discounts afforded by the Bank of France being larger than that afforded by the Bank of England, because the transactions of the two institutions certainly are not equal ?

"If we look back to the returns we see for a long time about the same amount of discounts of bills by the Bank of England, — £ 2,800,000, £ 2,700,000, £ 2,800,000, £ 2,900,000, and so on. If you take the average of the last ten years, I think you will find the discounted bills larger in amount in Paris than here.

"Have the Government any power, not merely of supervising the acts of the bank, but of compelling them to adopt any steps that they may think fit ?

"No ; they have not. The bank are perfectly independent, and that independence has been respected even under Napoleon's government.

"With respect to those persons called censors, what are their functions in the bank ? Are they chosen by the bank proprietors ?

"They are chosen from among the manufacturers of Paris. It was intended to provide that there should be three at least of the class of manufacturers of Paris in the direction, and three of the receivers-general.

"Are the receivers-general official members ?

"I am not quite sure whether the receivers-general were named by the crown, or whether they were elected by the stockholders from the general body.

"They are the receivers-general of taxes ?

"They are ; there is a receiver in each department."

NOTE. — On the night of the 15th March (1848), the Provisional Government consented to the issue of an edict exempting the Bank of France from the payment of its notes in specie, — rendering the presentation of these notes in payment throughout the territory of France a legal tender ; fixing 350 millions of francs as the *maximum* of the outstanding circulation of the bank at one time ; authorizing the immediate issue of notes for 100 francs (£ 4) each ; and finally directing the publication every week, in the *Moniteur*, of a full abstract of the bank's balance sheet.

Subsequent decrees of the 27th April, 1848, and 2d May, 1848, authorized the incorporation with the Bank of France, of the nine "departmental banks" (that is, local joint-stock banks), at Bourdeaux, Rouen, Nantes, Lyons, Marseilles, Havre, Lille, Toulouse, and Orleans ; and extended the privilege of the Restrictions to the issues of these banks, by augmenting the *maximum* limit of the total circulation of the Bank of France, and all its branches, from 350 millions to 452 millions of francs, or from £ 14,000,000 sterling to £ 18,000,000 sterling.

On the 6th August, 1850, the National Assembly of France gave the sanction of a definite law to a proposal submitted by M. Gouin in the name of a Committee, in favor of the immediate resumption of payments in specie by the Bank of France. Few men in France have distinguished themselves more than M. Gouin in the defence of all the best institutions of his country ; and it will be universally felt that the introduction of a measure of so much delicacy and importance could not have been undertaken by any member of the Assembly having a better title than M. Gouin to connect his name with the reestablishment of the credit circulation of France upon a sound basis. — *London Bankers' Magazine*, Sept., 1850

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THE CONDITION OF THE BANK OF FRANCE ON THE
7TH OF JUNE, 1849.

DEBTOR.	Fcs.	C
Capital of the Bank,	67,900,000	0
Ditto of the ex-Departmental Banks,	23,350,000	0
Reserve of the Bank,	10,000,000	0
Ditto of the ex-Departmental Banks,	2,980,750	0
Reserve of the Bank in Landed Property,	4,000,000	0
Bank Notes in Circulation,	362,574,900	0
Ditto of the Branch Banks,	29,221,600	0
Bank Notes to Order,	920,941	75
Treasury Account Current Creditor,	23,591,142	45
Sundry Accounts Current,	109,762,124	54
Ditto in the Branch Banks,	29,467,205	0
Receipts payable at Sight,	3,955,300	0
Ditto in the Branch Banks,	1,212,782	0
Draughts of the Branch Banks payable by the Bank,	6,745,395	61
Ditto of the Bank payable by the Branch Banks,	4,697,068	0
Dividends payable,	203,369	25
Liquidation of the Algiers Branch Bank,	180,952	44
Sundry Discounts anticipated,	3,574,784	09
Ditto of the Branch Banks,	1,991,956	0
Re-discounted during the last half-year,	246,109	85
Ditto in the Branch Banks,	460,661	0
Sundries,	412,355	86
Total Francs,	687,449,397	84

CREDITOR.	Fcs.	C
Cash in hand,	204,432,108	15
Ditto in the Branch Banks,	129,579,652	0
Commercial Bills Overdue,	172,390	6
Commercial Bills Discounted, but not yet due, of which 14,556,742f. were received from the Branch Banks,	47,680,034	90
Ditto in the Branch Banks,	78,395,013	56
Advanced on a deposit of Bullion,	10,770,400	0
Ditto by the Branch Banks,	1,304,193	0
Advanced on French Public Securities,	25,064,517	40
Ditto by the Branch Banks,	1,438,405	0
Advanced by the State on Treasury Bonds of the Republic,	50,000,000	0
Advanced by the State on the Loan of 150,000,000f.,	50,000,000	0
Loan of 10,000,000f., to the city of Paris,	1,000,000	0
Loan of 3,000,000f., to the city of Marseilles,	1,000,000	0
Loan to the Department of the Seine,	3,000,000	0
Government Stock reserved,	10,000,000	0
Ditto disposable,	42,581,488	13
Vested in Public Securities by the New Branch Banks,	12,779,541	30
Hotel and Furniture of the Bank,	4,000,000	0
Landed Property of the Branch Banks,	2,284,653	0
Interest in the National Discount Office,	200,000	0
Ditto of the Branch Banks,	230,000	0
Commercial Bills protested, and not yet honored,	5,997,353	39
Ditto in the Branch Banks,	3,557,217	0
Expenses of the management of the Bank,	571,020	86
Ditto of the Branch Banks,	486,871	0
Sundries,	924,538	95
Total Francs,	687,449,397	84

No. IV.

A Law relating to Banking in New York.

The following "Act, to amend an Act entitled 'An Act to abolish the Office of Bank Commissioner, and for other Purposes, passed April 18th, 1843,'" passed the Legislature of New York, December 4th, 1847:—

The people of the State of New York, represented in Senate and Assembly, do enact as follows:—

§ 1. The third section of the Act entitled "An Act to Abolish the Office of Bank Commissioner, and for other Purposes," passed April 18th, 1843, is hereby amended, so as to read as follows:—

It shall be the duty of the comptroller, secretary of state, and treasurer, on or before the first Tuesday of January, April, July, and October in each year, to fix upon and determine some Saturday in the quarter of the year then ended, in respect to which every incorporated bank, banking association, and individual banker in the State, shall make a report of the character hereinafter specified. Immediately after each determination of such Saturday, the officers hereinbefore named shall cause notice thereof to be published daily, for six successive days, in such newspaper published in the city of Albany as shall for the time being have the publication of legal notices, under the Act entitled "An Act to Provide for the Public Printing," passed March 5th, 1846, or shall serve a copy of such notice upon each incorporated bank, banking association, or individual banker in the State, by delivering the same to some officer or clerk thereof, at their respective places of business, or by depositing the same in the post-office, directed to each of such banks, banking associations, and individual bankers, or some officer thereof, at their places of business respectively.

It shall be the duty of every incorporated bank, banking association, or individual banker in the State, on or before the first day of February, May, August, and November, of each year, to make and transmit to the comptroller a quarterly report, which report shall be made on the oath of the president and cashier, and shall contain a true statement of the condition of the bank, banking association, or individual banker making such report, before the transaction of any business, on the morning of the day specified in the notice of the comptroller, secretary of state, and treasurer, next preceding the date of such report, in respect to the following items and particulars; to wit:—

Loans and discounts, overdrafts, due from banks, due from directors of the banks or banking associations making the report; due from brokers, real estate, specie, cash items, stocks and promissory notes, bills of solvent banks, bills of suspended banks, loss and suspense account, capital, circulation, (distinguishing that received from the comptroller from the old outstanding bills,) profits, amount due to banks, amount due to individuals and corporations other than banks, amount due to the treasurer of the State, amount due to the commissioners of canal fund, amount due to depositors on demand, amount due, not included under either of the

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above heads. And it shall be the duty of the comptroller to publish such reports together in the newspapers printed in the city of Albany, in this section before named, accompanied with a summary of the items of capital, circulation and deposits, specie and cash items, public securities and private securities; and the separate report of each bank, banking association, and individual banker, shall be published in a newspaper published in the county; if a newspaper is published in the city or town in which any bank is situated, such publication shall be had in such papers in which such bank, or banking association, or banking-house of such individual banker shall be situated, at the expense of such bank or banking association, or individual banker.

§ 2. Section four of the Act in the first section of this Act referred to, is hereby amended so as to read as follows; to wit:—

The comptroller shall publish the reports and summary required by the third section of this Act, together in one paper, on or before the 25th day of August, November, February, and May, in each year; and the expense of such publication shall be defrayed by a percentage assessed upon the capital stock of all the banks, and banking associations, and individual bankers doing business under the “Act to Authorize the Business of Banking,” passed April 18th, 1838, or of any Act amending the same in the said State; and if any such bank, banking association, or individual banker shall fail to furnish to the comptroller its quarterly report in time for such publication, it shall forfeit and pay to the comptroller the sum of one hundred dollars, to be applied by him to the expense of publishing the quarterly reports. And if any bank, banking association, or individual banker, shall neglect or refuse to make the quarterly report required by the third section of this Act, for two successive quarters, it shall forfeit its charter (if an incorporated bank), and its privileges as a banking association or individual banker, if organized or doing business under the Act of April 18th, 1838, in this section before referred to; and every such bank, banking association, and individual banker may be proceeded against, and its affairs closed, in any manner now required by law in case of an insolvent bank or banking association.

§ 3. Whenever, in the opinion of the comptroller, there shall be good cause to report that any bank, banking association, or individual banker, has made an incorrect or imperfect quarterly return, or is in an unsound or unsafe condition to do banking business, it shall be his duty to have the books, papers, and affairs of such banks, banking associations, or individual banker, examined by some competent person, to be designated by him, who shall examine fully into his books, papers, and affairs, forthwith, and report to the comptroller, on oath, the result of such examination; a copy of which report shall be forthwith published, in the manner prescribed in the first and second sections of this Act, in respect to the publication of quarterly returns. The reasonable costs and expenses of every examination shall be defrayed in the manner prescribed in the second section of this Act for paying the expenses of publishing quarterly returns.

§ 4. All individual bankers, and all banking associations, which are now or shall be hereafter engaged in the business of banking, under the

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provisions of the Act entitled "An Act to Authorize the Business of Banking," shall be subject to taxation on the full amount of capital actually paid in, or secured to be paid in, as such capital, by them severally, at the actual market value of such securities, to be estimated by the comptroller, without any reduction for the debts of such individual banker, or banking association; but in no case shall the capital of any such banking association, or individual banker, be estimated at a less sum than the amount of circulating notes delivered to such banking association, or individual banker, and not returned to the comptroller; and, in case the capital of such banking association has been reduced by the surrender of any securities to the stockholders thereof, and the certificates of stock held on account of such securities being surrendered to such banking association and cancelled, such banking association shall not be subject to taxation upon such part of its capital.

§ 5. Nothing in this Act contained shall apply to any bank or banking association which has reduced its capital stock in violation of the twenty-eight section of an Act entitled "An Act to Authorize the Business of Banking," passed April 18th, 1838.

The following is a summary of all the Banks in the United States : * —

BANK CAPITAL OF THE SEVERAL STATES.

STATES.	Population 1850.	No. of Banks.	Bank Capital.	Bank Circulation.	Bank Coin.
Maine	553,000	35	3,548,000	2,600,000	475,000
New Hampshire,	318,000	22	2,205,000	1,750,000	150,000
Vermont,	314,300	27	2,225,000	2,850,000	127,000
Massachusetts,	985,000	130	33,260,000	17,000,000	3,000,000
Rhode Island,	147,500	63	11,189,000	2,550,000	262,000
Connecticut,	372,000	42	10,073,000	5,200,000	638,000
New York,	3,099,200	195	51,000,000	26,000,000	12,000,000
New Jersey,	480,300	26	3,754,900	3,040,000	622,000
Pennsylvania,	2,250,000	53	18,675,000	11,950,000	7,200,000
Delaware,	90,400	9	1,440,000	800,000	200,000
Maryland,	575,100	24	9,072,000	† 3,380,000	† 2,812,000
District of Columbia,	54,000	4	1,182,300	† 300,000	† 280,000
Virginia,	1,428,800	35	9,713,000	8,200,000	2,527,000
North Carolina,	670,500	19	3,650,000	3,600,000	1,500,000
South Carolina,	639,100	14	11,431,000	† 7,700,000	† 2,500,000
Georgia,	950,000	17	5,330,000	† 4,500,000	† 1,500,000
Ohio,	2,150,000	57	7,490,000	11,000,000	2,750,000
Kentucky,	988,000	26	10,180,000	8,000,000	2,800,000
Indiana,	1,250,000	13	2,053,000	3,500,000	1,197,000
Michigan,	397,600	6	762,000	780,000	120,000
Tennessee,	1,050,000	21	8,165,000	† 5,600,000	† 1,500,000
Alabama,	800,000	2	2,000,000	† 3,500,000	† 1,500,000
Louisiana,	525,000	5	13,600,000	6,500,000	8,000,000
Mississippi,	580,000	1	100,000	† 100,000	† 50,000
Missouri,	681,500	6	1,208,000	2,400,000	1,500,000
Iowa,	175,000	1	200,000	† 200,000	† 50,000
Wisconsin,	305,000	1	225,000	† 300,000	† 100,000
Texas,	175,000	1	300,000	† 300,000	† 100,000
Florida,	85,000	..	..	..	..
Illinois,	550,000	..	..	..	..
Arkansas,	198,700	..	..	..	..
Totals,	23,368,000	855	\$ 229,061,200	\$ 143,630,000	\$ 55,460,000

* In lieu of the table published in the English edition we insert a statement brought down to the year 1851, from recent documents, for which we are indebted to the *Bankers' Magazine*, published at Boston. — *Am. Pub.*

† Estimated in part.

ALPHABETICAL INDEX

TO THE SUBJECTS CONTAINED IN

A PRACTICAL TREATISE ON BANKING, BY J. W. GILBART.

The reader is reminded that he is advised to answer all references in this form without looking into the book, and *aloud*. See the Section on Index Reading. A book is *described* by stating its uses, how it is ruled, how the entries are made, and against what books it will *mark*. See page 155.

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* Another has been recently formed, in London, called the British Bank.

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